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<b>Rural Finance in China</b> .....	353	<b>China</b>	<b>Hongkong Air Traffic in December</b> .....	378
<b>Hongkong &amp; Shanghai Banking Corporation</b> (Chairman's Statement for 1957; Report by the Chairman; Report of the Directors; Balance Sheet) .....	355	<b>China's Agricultural Problems</b> ..		
<b>Japan</b>		<b>Singapore</b>	<b>Finance &amp; Commerce</b>	
Shipping Position of Japan .....	362	Developments in Singapore .....	Bank of East Asia Limited (with Balance Sheet) .....	378
Japanese Emigration in the Post-war Period .....	365	<b>Malaya</b>	Hongkong Exchange Markets ....	380
		British Engineering in Malaya ..	Hongkong Share Market .....	381
		<b>Hongkong</b>	Trade Reports .....	381
		Hongkong Notes and Reports ....	Hongkong Company Incorporations .....	383
		Hongkong Shipping in December		377

## RURAL FINANCE IN CHINA

During the great splurge in 1956 the Chinese Government advanced something like 3,200m. yuan in loans to the peasants, and only a small proportion paid them back, with the result that in 1957 the Government reduced the advances drastically. It is stated that in 1958 the State Bank's loans will not exceed 1,600m. yuan. Last year the rural deposits in the credit co-operatives reached 1,790m. yuan, about 130m. yuan of which is expected to be used for production in the spring. A conference of heads of branches of the People's Bank decided that new measures governing the management and utilisation of rural capital should be adopted in order to utilise it more fully and rationally, as well as to collect more savings from the peasants for investment in production. Hitherto agricultural loans were managed and utilised by the head office of the People's Bank. From now on, local governments and Party organisations will be in charge of these loans. Questions such as how to distribute them among different districts, how to use them for different projects and how to readjust the supply of money within a province, will be entirely decided upon by the local authorities. This will also enable them to develop economic enterprises in accordance with the natural conditions and economic characteristics of their respective localities. This will help to overcome the bureaucratism and subjectivism of leaders and ensure full and rational use of agricultural loans.

In 1957 the issue of long-term loans was forbidden. This year a more liberal policy permits such loans up to the amount of 40 per cent of the total amount of agricultural loans. The huge loans of 1956 were designed to help poor peasants to join the agricultural co-operatives and to assist co-operatives short of capital. The situation now is different from 1957 when loans were banned. The

campaigns for constructing irrigation projects and exploiting mountainous regions are now universally organised on a local basis out of local resources. Therefore the State Bank must properly issue long-term loans to meet the co-operatives' needs for capital for the construction of these projects. A definite proportion must be maintained between long-term and short-term loans because it is necessary to ensure the continual turnover of capital derived from agricultural loans and also to take care of the requirements of production costs and secondary production. A ratio of 40 per cent of long-term loans to the total amount of agricultural loans is regarded as being in conformity with the requirement of full utilisation of capital.

Full utilisation of these loans is only one way to serve the cause of an upsurge in agricultural production. At the conference of heads of branches of the People's Bank, other measures were decided on to concentrate all idle capital of the masses and use it for production. They included use by the local authorities of 20 per cent of the deposits transferred from credit co-operatives to the branches of the People's Bank for increasing the targets for agricultural loans. Branches of the bank will pay a monthly interest rate of 6.6 per cent on the long-term deposits for a fixed period of more than one year, transferred from credit co-operatives, and will also pay to such co-operatives a fee of one per mille. The high interest rate is intended to enable local governments, Party organisations and the branches of the People's Bank at various levels to encourage credit co-operatives to absorb deposits, and the fee is designed to enable such co-operatives in richer areas to remove their apprehension of losing money on long-term deposits and make more efforts to absorb such deposits, especially those of their own members.



A national conference of directors of the supply and marketing co-operatives from Feb. 5 to 9 decided on various measures in support of the agricultural drive. In addition to major efforts for the purchase of such major crops as cotton, hemp, tobacco and tea, steps are to be taken to buy all native products and scrap materials which can be utilised, especially in the mountain areas, where every effort is to be made to promote economic development. These co-ops will investigate material supplies in these areas and develop such resources in support of national construction and to increase the income of the peasants who go to the mountain areas. The policy of better price for better quality is to be "thoroughly implemented". It is assumed that there will be a very great demand this year for means of production. The supply and marketing co-operatives have to brace themselves accordingly and think up all possible measures to meet production needs and to guarantee quantity and quality and in time to

guarantee that there shall be no dislocation of the farming seasons. During the year, it is estimated, mechanical and conservancy equipment available to the countryside will amount to a combined capacity of from 500,000 to 700,000 horse power. This figure is in excess of the combined total for the past eight years. The conference considered that for all this equipment to be used to the best advantage, a good job must be made in the teaching of machinery technique in co-operation with the relevant departments. The co-operatives must also help in the provision of repair stations and guarantee the supply of accessories. In the supply of fertilisers, great efforts must be exerted during the year for the organisation of supplies of manure. Special attention is also to be paid to keypoints in the supply of chemical fertiliser. Supplies of this already allotted to different areas must be used on major economic areas and high yielding grain areas in accordance with State plans, and a guarantee for this was demanded from different areas. The conference also demanded the fulfilment of retail plans in regard to the supply of consumer goods, and the raising of the quality of service in the retail business, so that supplies may be organised in a planned manner according to the actual needs of the peasants. The conference pointed out that the processing of by-products and native and special products must be developed in keeping with the situation of the development, by leaps and bounds, of agricultural production. All processing enterprises were enjoined to operate on the principle of starting from the aim of development of production and thoroughly to implement the policy of unified planning and over-all arrangements.

All this has been heard before, and always there has been a breakdown in one or more sections to cause exasperation and frustration all round. But once more the conference insisted that they must strive to overcome what they called "rightist conservatism," and that all must strive to implement the policy with diligence and thrift "so that all work will meet the demand for quantity, speed, quality and economy." At the same time the CCP Central Committee issued on Feb. 14 a notification calling for the cultivation of experimental plots by cadres of various levels along the lines of the experiments carried out by the CCP Hupeh Provincial Committee. The Party officials were directed to study the Hupeh report, which was written in November last year. It dealt with the experience of one county only—Hungan hsien, where experimental farming plots were being cultivated. This is now comparatively widespread in Hupeh province, and is being popularised in other provinces. Functionaries in some industrial enterprises are also beginning to study similar methods of work. The Central Committee says that a conscientious discussion throughout the whole Party is "of great and pressing significance." Through the cultivation of experimental plots bureaucratism and subjectivism can be

(Continued on Page 367)



# THE HONGKONG AND SHANGHAI BANKING CORPORATION

## Chairman's Statement for the year 1957

During the past year there was very little improvement in international relations throughout the world. The outstanding problems in the Middle East seemed no nearer solution and in spite of discussions on disarmament and proposals for high level talks, the main issues between the two sides still remained unresolved. In the scientific field, on the other hand, there were two remarkable developments which seem likely to have a major influence on the future progress of the human race—the launching of the Russian earth satellites and the first steps in the control of thermonuclear reaction. Although the latter may prove, in the long run, to be the more important, the immediate impact of the former was very much greater, showing as it did the lead that Russia has now gained in intercontinental missiles. There is no disguising the fact that the west, and the United States in particular, have suffered a severe political reverse due to the strategic consequences of the Russian advances in technology. It would seem doubtful whether the present policies will meet this changed situation and the demand for a more positive approach to break the deadlock seems likely to gain in intensity.

The economic picture has been somewhat mixed and it is not clear whether in 1958 the danger most to be guarded against is rising costs or falling production; whether in fact the inflationary tendencies that have been so much a feature of the postwar era are still growing or whether a period of deflation is about to set in. Whatever the future may hold the present situation, with the increasing cost of manufactured goods and a considerable drop in commodity prices, has pressed heavily on the balance of payments of the eastern countries in which we operate and this must inevitably slow up their progress. The heavy cost of modern industrial development has intensified the world capital shortage and this, coupled with an overall fall in the dollar reserves, has resulted in a growing use being made of the drawing facilities member countries enjoy with the International Monetary Fund. During the year many currencies suffered a period of considerable strain and in Europe the problem was aggravated by the strength of the Deutsche Mark, the weakness of the French Franc and the rise in wages and prices in the United Kingdom. Sterling once again had to bear the brunt of the speculative pressure and in September the bank rate was raised to 7%, the highest since 1921, with restrictions on both bank advances and expenditure by local authorities. These measures halted the drain on the sterling area reserves and as a result the short-term position has greatly improved, but judgement must be deferred as to whether or not the over-riding problem of keeping British costs in line with those of her competitors has been solved.

These recurring currency crises have evoked serious consideration as to whether it is advantageous to the United Kingdom to maintain sterling as an international currency. Those who argue against have drawn support from the fact that the drain last year took place at a time when the country was paying its way, and various estimates have been made to show that the foreign exchange earnings of the City are much less than has been generally supposed.

While this is not the place to enter into this interesting discussion, I should like to say this, that from the point of view of a bank such as ours, mainly concerned with the financing of international trade, any suggestion that sterling should abrogate the role it has held for so long, can only be viewed with apprehension. Notwithstanding periods of distrust from time to time in recent years, no currency has yet been found able to take the place of sterling and it is difficult to see how the multitude of transactions which make up the settlement of trade in our particular area alone could be cleared without the facilities sterling and the City of London provide. This applies also to other parts of the world and a return to bilateralism, with all the frustrations this would involve, would seem to be the inevitable result of any serious limitation in the use of these facilities.

The common market, composed of France, Western Germany, Italy and the Benelux countries, officially came into being on 1st January 1958 but the wider free trade area, which is to be established around these countries and which is intended to comprise most of Europe as well, has still many bridges to cross. Progress seems likely to be slow, as, although there is a growing agreement on the general advantages of such an area, when negotiation turns to particular problems the extent of the difficulties is revealed.

### ASIA

The political situation in the Far East shows little outward change. Many outstanding problems still remain unsolved but while it would be unwise to be complacent at a state of affairs with so many explosive possibilities, the fact that local disturbances have not spread gives ground for satisfaction. Deterioration in the terms of trade, which has resulted in a general fall in the foreign exchange reserves of most countries in the area, is the most disturbing economic feature. Admittedly these difficulties were aggravated by the increasing pace of development but administrative weaknesses in several cases have quickened the trend and have delayed the taking of appropriate action to reverse it. It would be unfair to criticise the various countries concerned unduly, as very few other countries have been free from balance of payment difficulties at one time or another in recent years. Nevertheless it is unfortunate that this state of affairs should have occurred at a time when most of the various development programmes require outside capital, the demand for which throughout the world is so active. Actually considerable amounts of capital have been granted to the area during the past year through such media as the International Bank, various United States agencies and the Colombo Plan, but there are signs that these supplies are not unlimited. It would therefore seem to be necessary to attract to a greater extent the flow of private capital but Asian countries should not forget that there is already considerable competition from other areas for what is available. In their annual report the Consultative Committee of the Colombo Plan point out "the advantage of the region in this competition is that



it offers potentially large and growing markets" but go on to warn that "the attractions of the region, however, can be counter-balanced by such factors as apprehensions as to the security of investment, difficulties with administrative and financial procedures and restrictions, and uncertainties about the incidence and weight of taxation." I hope that this advice, coming as it does from a gathering of representatives of the governments concerned, will be given careful consideration. Foreign capital has in the past done much to assist the industrialisation of many countries and continues today to increase the productivity of those that are most advanced. It is now being more generally realised that foreign investment is not necessarily tarred with the colonial brush but recent events in Indonesia have shown the disrupting effects that extreme nationalism can have on a nation's economy.

### HONGKONG

On the last day of the year, to the traditional sound of Chinese firecrackers, Sir Alexander and Lady Grantham left Hongkong after a governorship of over ten years. By 1947 the Colony had repaired the worst of the damage and neglect left over from the occupation and had resumed its pre-war role as an entrepot for South China but the development of the local industries, which were to provide employment for the growing number of refugees, still lay ahead. These were not easy years but, amidst the numerous trials and tribulations which afflicted this part of the world, Sir Alexander stood firm and by his leadership guided the energetic people of Hongkong along the path to the thriving metropolis we now see today. Greatly assisted by his lady, he instilled members of the community with a feeling of social responsibility, which was not always to be found in earlier days, and the numerous charitable organisations in the Colony today owe much to their interest and encouragement.

The pressure of population continues to be the most serious problem facing the Colony and the concentration of such large numbers of people, in the urban areas of Kowloon, places a heavy burden on all the public services and in particular on the police force. The recent remarks of the Governor and the Financial Secretary on the water situation give some idea of the difficulties that have to be overcome in the provision of this basic requirement. It seems clear that even if the Shek Pik scheme on Lantau Island should prove workable, this will not be sufficient to meet the growing demand of industrial development and improved standards of housing. The government announced at the end of the year that they had appointed a firm of consulting engineers to survey certain areas in the New Territories with a view to exploring the possibility of building self-contained new towns. This proposed development will naturally take time but the necessity of housing and finding work for the large number of Chinese refugees is still a major problem. The General Assembly of the United Nations recently considered this question and appealed to member countries to give all possible assistance to alleviate distress. It would, I think, be optimistic to expect any large response to this appeal but it is naturally a matter for regret that Hongkong seems likely in the future, as in the past, to be required to tackle this problem from her own resources. I hope, however, that the needs of the refugees will not be forgotten and that there will be some relief from abroad.

All the indications are that the population will continue to grow which will necessitate considerable future industrial development and I sometimes wonder whether this will be forthcoming. We have been fortunate in re-

cent years in the inflow of capital, much of which has built up new industries, but it would be unwise to rely on this continuing indefinitely. In spite of the progress of local industries the adverse balance of trade continues to grow; granted in an entrepot this is not too reliable a guide, but the fact remains that the time may come when the invisibles will not be sufficient to make up the difference. If this should happen, private enterprise might not be tempted to invest to the extent that it has done in the past and a more positive approach by the government might be necessary to fill the gap. The economic position in the Colony has been so favourable in recent years, and so much praise has been expressed abroad at the progress that has been made, that it is easy to become complacent. The dangers I have hinted at may not be so far away as people like to think and it would therefore be wise to consider some preliminary planning to avoid being taken unawares.

Business activity remained at a high level throughout the year and although there are signs of a slight contraction there seems no end to the number of new buildings that spring up all over the Colony and in fact the amount spent on private building last year was the highest since the war. Visitors continue to be amazed at the speed with which these are constructed and even residents, after a short absence, comment on the changes that can be seen. The supply of flats for the more well-to-do members of the community has probably now reached saturation point but there is an ever-growing demand for smaller flats for the lower income groups. The recently completed North Point Estate, one of the largest state-aided housing projects in Asia, containing nearly 2,000 flats, will help to supply part of this need. A great deal more, however, will require to be done and it is good to know that plans for further housing estates are already under way.

It was announced in November that the Royal Naval Dockyard would be closed down progressively over a period of two years. This decision has been taken as part of the British Government's recent defence policy which includes the reorganisation of naval forces and their shore support throughout the world. Other dockyards are being closed in the United Kingdom and we must accept this decision. It is nevertheless a matter for regret, as not only has this raised the problem of re-employment of the workers but it must inevitably weaken to a certain extent the close connection which has existed for so long between Hongkong and the Senior Service.

On the recommendation of Sir Alexander Grantham, a committee has been formed, composed of ten members representing trade and industry, to consider the advisability of setting up a Federation of Hongkong industries. This organisation, it is hoped, will assist with industry's problems of management, training and overseas trade relations. Technical training is a most important adjunct to modern industrial development and Hongkong's new technical college was opened at the end of the year. It is hoped that in a few years this will be one of the finest technical colleges in this part of the world.

**Hongkong's Trade**—Hongkong's trade in 1957 was higher in total than that of the previous year but this was due to a rise in imports as exports showed a slight decrease. Total trade was around HK\$9,000 millions with imports at HK\$5,600 millions and exports at HK\$3,400 millions. China remained the principal source of the Colony's imports followed by Japan and the United Kingdom. Exports to Indonesia, Thailand, Japan and South Korea were much reduced and increases to other areas, including the United Kingdom and the United States, were not sufficient to offset this loss. Exports of Hongkong products at nearly HK\$794



millions represented a small increase over the figure for 1956. The United Kingdom continued to be the largest customer but purchases of local products by the United States increased by almost 100%, a large part of which was due to the efforts of the garment industry. Although the registration of new factories showed a fall, local industry is becoming more diverse and new lines continue to be actively developed.

Business on the Stock Exchange showed a similar trend to last year and decreased by about 30% over the year. Considering the sharp fall in security values that have taken place throughout the world, the market on the whole stood up very well. Land values remained fairly steady although prices in certain parts of Kowloon continued to rise. There are no longer so many first class sites available in the central district and this has caused buyers to turn to smaller properties, many of which are old and are long overdue for rebuilding.

The bank clearing figures for the year increased by about 11% and reached a total of nearly HK\$17,000 millions, to come close to the record figure of 1951. Increasing velocity of circulation has been much in the news recently in the United Kingdom. It is interesting to note that in the last two years, here in Hongkong, a similar trend has been evident.

**Finances of Hongkong**—The financial position of the Colony continues to be very satisfactory and a surplus of just over HK\$1 million for the current year is now estimated as opposed to the original deficit of HK\$54 millions. Even this revision seems to be an under-estimate and the Financial Secretary considers it likely that the final result will show a much larger surplus.

For the financial year 1958/59 revenue is expected to remain at about the previous year's level but expenditure shows a considerable increase and a deficit of HK\$87 millions is estimated. The provision for public works non-recurrent at HK\$183 millions is the main reason for this rise, including as it does expenditure on new schools, hospitals, reservoirs and the airport. It is notoriously difficult to estimate accurately expenditure under this heading but, even if all this money is in fact spent, the Financial Secretary considered it perfectly sound to finance this capital expenditure out of reserves and no increase was made in taxation.

At the meeting of the Legislative Council at which the Budget was presented, the Governor announced that the Secretary of State for the Colonies had further relaxed the financial control which he exercised over Hongkong and that the annual estimates and supplementary provisions would no longer require his approval. "This is a very important and considerable extension of our financial independence" as the Governor pointed out but I think that when one considers the conservative way in which our finances have been managed over the last few years there should be no cause for anxiety.

## CHINA

On looking back over the events in China during the past year it is clear that a number of stresses have developed, both political and economic. Evidence of this is not difficult to obtain and a study confined to official pronouncements could only lead to the same conclusion. Indeed it would be surprising if all had gone smoothly, when one considers the profound changes that have taken place in the whole Chinese way of life in such a short time, with the collectivisation of the farms and the great strides that have been made in industrial development. A policy of

such rapid growth must rely on a considerable degree of austerity in the present for the sake of the future, and is bound to raise doubts amongst certain sections of the population; the extent of these doubts became evident when the much publicised speech of Chairman Mao Tse-Tung, indicating that a greater degree of freedom of expression was to be allowed, touched off a wave of critical comment. This period did not last very long and soon press reports from Peking were once again full of confessions by counter-revolutionaries while it became clear that a campaign against "rightists" was actively under way. The extent of the criticism was no doubt embarrassing to the government but there is no evidence to suggest that it was more than just that or that it has in any way changed the declared policy of pushing ahead at as rapid a pace as possible with the industrialisation of the country. This remains the aim which will, I am convinced, be carried out resolutely and will be limited much more by the results of the harvest than by the opinions of disaffected groups. It may be that agriculture will not be able to play the part allotted to it as nature will continue, as in the past, to be a dominant influence. If this should prove to be the case the part of the national cake that is devoted to capital development may require to be smaller but there seems no doubt that it will still continue to be a sizeable slice.

The higher targets which were decided upon after the bumper harvest of 1955 proved too great a strain on the country's economy when last year's crops did not come up to expectation. The reduction in the allocation for economic construction in the budget was one of the signs that the authorities appreciated that the pace was too swift, while a number of official pronouncements show that it is now realised that many of the targets were too ambitious. The shortage of food has been the subject of much comment in the Chinese press and in December pork joined grain, vegetable oils and cotton cloth as a rationed commodity. Speculators, laxity of officials and errors of judgement are all blamed for the present state of affairs but the problem of a balanced distribution of food in a country the size of China, particularly subject to the vagaries of the weather, would seem to be almost insoluble. Mistakes in the running of collective farms are now being freely admitted and agricultural development seems likely to be concentrated on improving on the existing model without as yet the introduction of mechanical aids. In an endeavour to raise the standards of rural conditions the movement of government employees from the towns to the countryside is being vigorously directed.

It is against this background that the decision of the United Kingdom and other governments to bring the list of goods which may be exported to China into line with the Russian list must be viewed. In association with British merchants interested in the China trade, we have been urging this relaxation for some time and we are happy to see that action has now been taken. It would, however, be unwise to expect any great immediate benefit but the visits of both the Parliamentary Secretary to the Board of Trade to China and the Chinese Economic and Technical Mission to the United Kingdom have, I hope, laid the foundations on which a growing exchange of goods may be based. The present volume of British trade with China is not very large and there would seem to be no reason why this should not be materially increased, even if a slowing down of development in China should be found necessary.

The period of the first five-year plan has now ended and it is claimed that industrial output greatly exceeds the original estimate. This is, I think, most likely as considerable strides have been made in the production of steel, coal, electric power and cement, to take a few examples,



while the bridge at Wuhan, the first to span the Yangtze, is not only a considerable engineering achievement but will greatly assist communications between north and south. There are, however, signs that the pace has been uneven—too fast in some directions and too slow in others—which has resulted in overall production being slowed down. Action aimed at the elimination of these bottlenecks would seem to deserve high priority in the next five-year plan.

## JAPAN

In our review last year I was able to report that Japan had a satisfactory year of economic expansion despite considerable political difficulties. This year the reverse seems to be true, as, although the inherent weaknesses in Japan's political structure remain unaltered and factional differences are still as strong as ever, it is economic problems rather than political that have given most cause for concern. The industrial expansion, which had been such a noteworthy feature of 1956, continued during the first half of 1957 with no slackening in investment demand, but although exports increased they were unable to keep pace with the growing volume of imports and this caused a steady deterioration in the balance of payments. The raising of the rediscount rate by the Bank of Japan, an increase in import margins and a reduction of public and private investment programmes were some of the measures taken to reverse this trend and in October the drain on the foreign exchange reserves was halted after having reached the somewhat alarming total of U.S.\$600 millions for the first nine months of the year. Fortunately, with such heavy pressure on the balance of payments for the import of industrial materials, the rice crop turned out to be the second highest in Japan's history. Taking the year as a whole the net deficit was U.S.\$533 millions as compared with a surplus of U.S.\$293 millions in 1956, with exports higher by 14% and imports by 32%.

It would seem that the tide has been turned and that the deflationary policy has succeeded in slowing down the too rapid expansion which threatened to exhaust the reserves if allowed to continue. Falls in the index of production, increasing stocks of goods in the hands of importers and lower wholesale prices are evidence of this; on the other hand advances by the Bank of Japan to the banking system at the end of December were four times what they were a year previously and it is doubtful whether consumer demand has been seriously reduced. When one looks back on conditions in Japan over the last few years, with the rapid swings of the pendulum from one extreme to the other, it is tempting to speculate whether a way can be found to prevent such quick changes in the economic climate. This poses a difficult problem, faced as Japan is with a steadily rising population which necessitates a growing increase in her exports to keep her industry running and avoid the dangers of severe unemployment. No wonder there is pressure to increase industrial production particularly as there has been a change in the pattern of the export trade with less demand for consumer goods. This has resulted in activity in markets where there is already strong competition from other suppliers, many with old established connections, which makes the economy particularly vulnerable to any recession abroad. The shipbuilding industry is a case in point. Last year Japan reached the highest peacetime output of any nation but with the fall in world demand for shipping, particularly tankers, it seems unlikely that this level can continue. Other industries will undoubtedly suffer also but raw materials are continuing to come forward and it is not so easy to turn off the tap. It may be that action was not taken in time

but, with the danger of unemployment always present, it is not surprising that the monetary authorities are sparing in the use of the deflationary weapon lest the cure be worse than the disease. Taking everything into account it seems likely that Japan's economy will continue for some time to be subject to considerable variations unless there is renewed and sustained world-economic expansion.

The political situation remained uneventful during the year and very little positive action was taken in internal affairs apart from the financial measures already mentioned. Mr. Kishi retained the cabinet he inherited from his predecessor until July but, when the new cabinet was formed, it bore signs of the usual compromise between the different factions, with their varying personal loyalties. The Prime Minister was absent from Japan for a large part of the year making two tours of Asia and visiting the United States and Australasia. During these tours he propounded his plan for a South-East Asian Development Fund, which was given a mixed reception. This plan was somewhat vague in outline but the original intention was to set up a fund in U.S. currency available for the supply of industrial equipment from Japan to South-East Asia; when it became clear that U.S. currency was unlikely to be forthcoming a yen fund was proposed. Time alone will tell how valuable these tours were but the signing of the peace treaty with Indonesia and the settlement of the reparations issue gave a successful outcome to the last of these. Japan continues to maintain the most cordial relations with the United States but economic necessity alone would prevent neglect of her large neighbours. A trade pact was successfully concluded with Russia in December but although the Japanese have followed the United Kingdom in their relaxation of the embargo on trade with China, progress in the negotiations with that country was slow and trade in fact fell off. Arrangements have recently been announced for the sale by Japan of steel products to China in exchange for coal and iron ore and the resumption of this traditional trade must be in the interests of both countries.

Rearmament still remains far from popular and although the Constitution Research Council has been formed the opposition of the Socialists makes it unlikely that the controversial article in the Constitution, relating to rearmament, will be revised in the near future. Japan's election to the Security Council will, however, enable her to press more vigorously her objections to the holding of nuclear tests in the Pacific. Now that she is once again a member of international organisations, Japan has been feeling her way searching for a policy which will suit her particular geographical position and satisfy her needs for export markets. For this reason I do not think that the last has been heard of the South-East Asian Development Fund.

## PHILIPPINES

The sudden death of President Magsaysay in the early part of the year was a severe blow to the people of the Philippines where he was greatly loved and respected. This tragedy, coming as it did in election year, made the contest more open but the Nacionalista Party were once again successful in the presidency although they lost the vice-presidency to the Liberal Party. President Carlos P. Garcia and Vice-President Diosdado Macapagal were duly inaugurated on 30th December and they have assumed office at a critical time in the affairs of the young republic.

This is mainly due to the deteriorating economic situation and the new administration are faced with a number of very grave problems. To quote from the President's recent State of the Nation Address these comprise "food insufficiency, unemployment, rising prices, dwindling inter-



national reserves, decreasing revenue collections and increasing budgetary requirements." This is indeed a formidable list and a reduction in consumption would seem to be an essential ingredient for any medicine that is prescribed. Certain steps to this end have already been taken. The rediscount rate was raised in September from 2% to 4½% and in December importers were required to deposit cash margins—in some cases up to 200%—before letters of credit could be opened and these were restricted to essential commodities. Without the repeal of the "No-Dollar Import Law", which permits barter trade, the monetary authorities are somewhat handicapped in their efforts to impose austerity on the import programme and it is to be hoped that Congress will follow the President's recommendation and re-examine this legislation at an early date. The measures adopted so far will no doubt result in a slowing down of the immediate drain on the foreign exchange reserves but they are in no way a lasting cure. For this reason it is not surprising that the suggestion for a devaluation of the peso is finding a growing number of adherents and it is true that by many standards the currency is overvalued. Nevertheless it does not seem to me that devaluation of itself is the answer to the problem and in fact there is the danger that once tried there will be the temptation to repeat the experiment. The immediate necessity is the implementation of a strict fiscal and monetary policy to drain the inflation out of the economy and curb unnecessary expenditure. Once the inflationary tendencies begin to weaken then the time might come to reconsider whether the present value of the peso was advantageous to the country as a whole but this should be decided upon as a matter of deliberate policy and not as a rescue operation.

#### VIETNAM

The Republic of Vietnam has now achieved a considerable degree of political stability and what might be described as the first stage in the task of resettlement is almost completed. Great credit for rescuing the country from the disturbed conditions which previously existed is due to the President, Ngo Dinh Diem, and his administration, in which far from easy task American advice and assistance has greatly contributed. Consolidation will be the next step and this may prove more difficult, requiring as it will the stabilisation of the present political structure and the building up of a viable and independent economy.

Imports during the year have continued at a high level and the market is heavily overstocked. There is no doubt that import licences were granted on too lavish a scale but the tight money conditions caused by the delay in utilising counterpart funds has greatly hampered sales. These counterpart funds are obtained by the government from the importers of goods under the American Aid programme and can only be utilised on approved projects. Unfortunately delay in formulating such projects has resulted in a large amount of money still being immobilised with the Banque Nationale du Viet-Nam at a time when its use would not only improve the country's future productive capacity but by putting purchasing power back into circulation would have the immediate effect of speeding up the disposal of stocks.

More decisive action can be found in the rural areas where the improvements in farming equipment and techniques have produced higher yields, while work is proceeding on clearing highland areas and bringing more land under cultivation. Rice exports were resumed and totalled about 200,000 tons for the year but it is hoped to improve on this figure during 1958. Negotiations on reparations

continue with Japan and the gap between the two sides is being narrowed. It seems likely that the building of a hydro-electric system on the Danhim river will be included in the final settlement.

#### CAMBODIA

The National Assembly has been dissolved and pending the result of the new elections a provisional cabinet has been formed. On the whole the political situation remains little changed and Cambodia continues to adopt a foreign policy of strict neutrality. Trade increased over last year with imports and exports more in balance due to a substantial rise in exports of rice. Various light industrial projects are under consideration and efforts are being made to develop a deep-sea fishing industry in the Gulf of Siam. Clearing of the jungle to make a road from the capital to the port of Kompong Som proved more difficult than had been expected but it is hoped that this road will be completed sometime during 1959. The opening of this deep water port will lessen Cambodian dependence on communications by the river through Viet Nam.

#### THAILAND

The general elections which were held at the beginning of last year touched off a series of events which have somewhat changed the characters on the political scene. Although the Seri Manangasila party won a comfortable majority, the way in which the elections were run left a feeling of public dissatisfaction which grew more vocal as time went on. In September a bloodless coup d'état, led by Field Marshal Sarit Thanarat, resulted in a caretaker government being established and the withdrawal from the country of Field Marshal Pibul Songgram and General Phao Sriyanond. Fresh elections were held in December and a government was formed from members of the new National Socialist Party. It remains to be seen how this new party, which is in fact a coalition of three other parties, will fare in internal politics especially as, with Field Marshal Sarit Thanarat's departure for medical treatment to the U.S.A., the three personalities who have dominated Thailand's politics for so long are for the present at least absent from the stage.

Although the import market has been somewhat overstocked, which has resulted in difficult trading conditions with some business failures, the year on the whole has not been unsatisfactory. In spite of the necessity to impose restrictions on the exports of rice during the second half of the year the volume exported during 1957 at one and a half million tons was the highest since the war. This is unlikely to be repeated this year, as the new crop is below average, and the exportable surplus is not expected to exceed one million tons. Teak exports were considerably reduced due to competition from Burma. The budget, which was delayed pending the formation of the new government, is expected to be presented shortly. A survey mission from the International Bank is at present in Thailand to plan a long term development programme and a loan has been granted by this bank for the first stage of the Yarnhee Hydro-electric project.

#### FEDERATION OF MALAYA

Malayan independence was proclaimed on 31st August at a colourful ceremony in new Merdeka Stadium in Kuala Lumpur in the presence of representatives from many nations. The Duke of Gloucester, representing the Queen, handed over a specially bound volume containing the con-



stitutional instrument providing for the withdrawal of British protection over the Malay States and of the Crown's sovereignty over the settlements of Malacca and Penang. The Federation of Malaya thus became the tenth nation in the Commonwealth and subsequently was elected the eighty-second member of the United Nations. The final arrangements for the transfer were completed swiftly in a spirit of goodwill on both sides; while the constitution followed to a great extent the recommendations of the Reid Report and seems to be a workable compromise which provides an opportunity for the development of democratic government. The ruler of Negri Sembilan State was elected by his fellow rulers as the first Constitutional Sovereign of the Federation and at the state opening of the Legislative Assembly outlined the policy of the government. Their first duty would be to safeguard the independence of the Federation and to protect the constitution, the initial threat to which came from the communist terrorists. The government would not dissipate the resources of the country in large armed forces or an elaborate foreign service but would concentrate on home affairs and aim "to maintain confidence in the financial standing of the Federation as a field for investors at home and overseas." The Anglo-Malayan Defence and Mutual Assistance Treaty, which was signed in October, permitted the United Kingdom forces to be stationed in the Federation to assist in external defence and to provide "for the fulfilment of Commonwealth and international obligations."

The Prime Minister made no alterations in his Cabinet and the Alliance Government which, under his leadership, had done so much to enable the change-over to be completed smoothly, continued to guide the destinies of the country. This was in accordance with the wishes of the majority of the population, as, although ripples of discontent can be deduced from the result of some recent elections, the country as a whole is still strongly behind the present administration. The only disturbing feature has been found in some Chinese schools where the dislike of certain members of that community for some aspects of the government's education policy resulted in outbreaks of indiscipline which in some cases led to violence. It would be unreasonable to expect this honeymoon period in the political arena to last indefinitely and some more vigorous form of opposition is bound to emerge, perhaps before long. Following historical precedents, this would seem likely to come from the left, but there is hope that this may be multi-racial in character and thus avoid issues being decided on a purely racial basis.

In an effort to bring an end to the emergency the government, in September, made a final offer of an amnesty to the terrorists with the option of either remaining in the Federation or returning to China with their families. Over one hundred terrorists took advantage of this offer by the end of the year when it was due to expire and the period was extended to 30th April. There are signs of definite cracks in the terrorists' organisation and there is now more ground for hoping that the ten-year old emergency may be ending.

A White Paper was issued in the early part of the year setting out the general plan of capital and development expenditure for the period 1956-1960. This envisaged the utilisation of part of the reserves which "will require strict control over the ordinary budget to ensure that revenue is maintained at levels sufficient to protect the reserves so that they can be used to finance part of the capital budget and are not unduly depleted by deficits on the ordinary budget." With revenue dependent to such a large extent on the price of so volatile a commodity as rubber

and with future calls of the Emergency so difficult to forecast, it is unlikely to prove easy to maintain a continuing surplus of revenue. For the current year a deficit of M\$119 millions is forecast and although estimated deficits have tended not to materialise in recent years, the low price of rubber will make this more difficult this year. A separate capital budget is expected to be introduced shortly and it may be that some of the projects will be slowed down as present high interest rates make either the flotation of a loan or the selling of investments particularly unattractive. Discussions on the formation of a central bank for the Federation have continued during the year and Mr. W. H. Wilcock, of the Commonwealth Bank of Australia, has been appointed banking adviser and is now in Kuala Lumpur. I do not think it would be appropriate to make any comment on this subject until some definite proposals are announced.

**Tin and Rubber**—The test of the effectiveness of the International Tin Agreement came earlier than was expected and judgement must be reserved as to whether this experiment will prove successful. At the meeting of the international Tin Council in March, the price range was raised and due to the decline in the market price, in sympathy with other commodities, the floor price of £730 per ton was reached in October. Both the second and third contributions were subsequently called for from subscribers and restrictions on exports were imposed in December and the period extended in January. The price at which the manager of the buffer stock could sell was lowered and the producing countries recommended the creation of a special fund to be put at the disposal of the buffer stock. These measures will in time reduce the supply but meanwhile the pipeline has to be cleared and the increased exports from Malaya in January show that this may take longer than was originally expected. Both production and exports decreased slightly compared with 1956.

The price of rubber declined slowly during the year and the average for 1957 was 88½ cents as compared with 97½ cents in 1956. In spite of the downward tendency doubts about the arrival of stocks from Indonesia caused a sharp temporary rise in December and this factor continues to make its influence felt. Exports were higher than the previous year and exceeded one million tons. The most notable feature was the considerable rise in exports to Japan.

## SINGAPORE

The talks in London last year were successfully concluded and the way is now clear for the granting of the new constitution to the State of Singapore and the holding of elections for the fifty-one member Legislative Assembly. Any doubts which existed concerning the attitude of the government of the United Kingdom in this connection should have been allayed by the assurance given by Mr. Macmillan on his recent visit. Registration of citizenship under the recently enacted ordinance which provides automatic citizenship for those born in Singapore, with residential qualification for others, has recently been completed and the new electoral rolls are being prepared. The new constitution will provide for full internal self-government with the sole responsibility for maintaining law and order and preventing subversion but the United Kingdom will look after external relations and defence and will have the right to the use of bases in the island: A consultative body, the Singapore Internal Security Council, will be established with certain advisory powers, composed of three members each from Singapore and the United Kingdom and one from the Federation. It is hoped that this body will iron out any difficulties that may arise due to the inter-relation of internal security and external defence.



In view of this impending change in the form of the administration, it is not surprising that disturbances in Chinese schools and strikes in the docks and among the telephone workers have attracted considerable attention abroad. Many shareholders are no doubt wondering what the future course of events will be but although I do not propose to attempt to give any forecast, there are a few significant pointers which I will mention. In August a White Paper was issued showing the extent of Communist activity and penetration in unions and political parties which was becoming a serious threat to the maintenance of law and order. At the same time, a series of arrests of active subversionists was made which was followed a few weeks later by the detention of a number of students. These strong measures had their effect, and conditions in the schools and relations with labour have greatly improved. The City Council elections were held in December, at which only a third of those eligible recorded their vote, and resulted in a sharp swing to the left. The behaviour of the supporters of some of the delegates in the early sessions certainly hardly augured well for the smooth working of democratic government, but recent meetings have been quieter and there are signs that the Council are now getting down to business. It is not difficult to find cause for misgiving from some of these recent events, but it would, I think, be premature to look only on the dark side, and dangerous to exaggerate the fears for the future. The responsibility of office has usually made politicians in other parts of the world view things in a different light, and there is no reason to suppose that this will not happen in Singapore. Nevertheless, it is not surprising that there is a feeling of uneasiness as the economy of an entrepot is so vulnerable to outside influences that any lack of confidence abroad would have disastrous consequences.

In what seems likely to be his last budget address, the Financial Secretary, Mr. T. M. Hart, looked back on what has been achieved in Singapore since the war. During this period M\$600 millions have been expended on development by the government and the City Council and recurrent expenditure is now more than four times what it was in 1947. A large part of this increase is due to the ever growing demands of education, public health and social welfare but the organisation of the police force to its present high state of efficiency has not been achieved without cost. In spite of all that has been done, development must still go on and it will not be as easy in the future as in the past to obtain the required capital from either surplus revenue or institutional investors. Already the government are relying to a large extent on loans from the Central Provident Fund Board, which are naturally limited in amount, and for this reason the pace of future development is likely to be increasingly governed by financial considerations. This will necessitate a degree of coordination and the government have set up a Planning Committee to integrate development plans of the various authorities to the extent of the funds available. The current position is not unsatisfactory and increases in taxation this year were confined to the raising of the petrol duty to the same level as that of the Federation and a few minor adjustments but a rise in taxation must be looked for in the future. In fact, it seems likely that some new forms of taxation may be introduced shortly and although this is no doubt inevitable, I hope that these will not include any measures which will damage the free port status.

Malayan total external trade showed a rise of 2.7% over 1956 but there was an adverse balance of M\$209 millions compared with a surplus of M\$13 millions in 1956. This was caused by an increase in imports of over 5% with exports at about the same level as the previous year. It

must of course be remembered that there are a number of invisible items such as British military expenditure not included in these figures which make the position not as bad as it looks.

**NORTH BORNEO**

The racial problem across the sea is not without its influence on North Borneo, where the administration are moving slowly in the admission of the Chinese labour which could be so beneficial to future development. The Governor, in his annual report to the Legislative Council, made it clear that "there is no intention of sacrificing the future to our present needs." Under existing conditions I should hesitate to criticise such a decision but it will inevitably result in progress being slow, which is naturally disappointing to all interested in trading conditions in this area. In Jesselton the building programme has gathered momentum and projects completed during the year include the new market, new government offices and an up-to-date hospital. In Tawau, development of the Quoin Hill area should in time decrease the dependence of the port on the barter trade while in Sandakan the construction of new buildings and roads is being pushed ahead. In Labuan there is little sign, as yet, of expansion but the new Shell installation has been completed which will be the main distribution depot for North Borneo. Trade continued at about the same level as in 1956, and for the first time timber and copra exports combined exceeded rubber in value.

Both the Governor of North Borneo and the Governor of Sarawak have recently broadcast a suggestion that their two territories together with Brunei should consider some form of closer association. No concrete proposals have been put forward and for the present all that is being attempted is to ascertain whether there exist "bodies of opinion in favour of federation sufficiently substantial to make it workable." It will be interesting to see how the people of these territories react to the proposed federation.

**BRUNEI**

Draft constitutional proposals were announced by the Sultan providing for the replacement of the State Council by the Privy Council, Executive Council and Legislative Council. Unofficial members of the Legislative Council will be nominated, but the majority of these will be elected by the District Councils. This proposed constitution seems to have received general support but it is strongly opposed by the Peoples Party. The State continues to be in a very happy financial position. The surplus for 1958 is expected to be M\$68 millions and investments total M\$450 millions. A considerable amount of building is in progress and the trunk road connecting the capital with the oilfields is expected to be completed by September of this year.

**INDONESIA**

Indonesia has passed through troubled times since my last report and, whatever the outcome, it is difficult to see much hope of improved trading conditions in the immediate future. The lack of agreement between influential political figures in the capital steadily weakened the control of the central government over the outer islands where many of the local commanders to a large extent acted independently, merchandising local produce to pay and supply their troops. This not only made the chances of any political settlement more difficult but deprived the central government of the revenue and the foreign exchange which

(Continued on Page 370)



## SHIPPING POSITION OF JAPAN

The international shipping market during both 1955 and 1956 enjoyed a boom atmosphere but weakened with the onset of 1957, declining even to the 1954 depression level, ocean freight rates rapidly falling due to decreased freight movement volume of coal and grain arising from the unusually warm Continental winter and other contributing factors. The Hampton Roads-Antwerp/Rotterdam coal freight rate (spot), which is the heart of the international shipping market, is showing signs of even dropping below the record low of the past. Japanese freight rates also climbed steadily upward following in the footsteps of the upswing of world freightage since the fall of 1954. In particular, the freightage upswing since the closure of the Suez Canal last year was conspicuous. But with the coming of last year, the situation completely changed, falling into a slump influenced by the depression of the world shipping market.

### World Shipping Trends

The Hampton Roads-Continental coal freightage recorded a high rate of 119s. 6d. in December 1956 affected by the closure of the Suez Canal, topping by 15 per cent the high of 103s. 6d. seen during the Korean War. With the turn of the year, however, it fell month by month due to abnormal warm winter in Europe, operation of United States reserve fleet "Liberty" ships released from mothball lay-up, reopening of the Suez Canal, construction of a large tonnage of new vessels, and other factors. In other words, freight rates dropped below the low of the previous year in March, further weakened during the summer "low demand" period, and finally fell below the 40s. level (prime cost operation point). With the coming of September, it declined further to the low figure of 25s. (equal to the low rate of August, 1952).

It may be said in this connection that the real freightage may have been actually below the 1952 low because bunker oil cost, shiprepairing cost, and other items have risen considerably compared with the past period mentioned above. And when the Gulf-Continental grain freightage is considered, a high rate of 152s. 6d. was recorded previous year-end, a figure 17 per cent above the high of the Korean War period, but dropped with the onset of last year, falling in May below the last year's low, the current level being as low as 50s.

When the freightage slump situation is examined on the basis of the United Kingdom tramp freight all items index, it is seen that 189.4 was recorded in December, 1956. This was a record high surpassing the 184.2 points seen during the Korean War period. Relative to the annual average, 1956 registered 157.0, a figure equal to that for 1951, the highest record of the past. Subsequently, a steady downward course has been followed in parallel with the rapid decline of both coal and grain rates, the staple cargoes of the world.

In regard to tanker freightage, rates are weakening, the same as in the case of tramp freights. The Persian Gulf-United Kingdom tanker rate, which recorded a phenomenal high mark of USMC (+) 200 per cent in December, 1956, has fallen at present to USMC (—) 67 per cent. The Caribbean Sea-United Kingdom rate has dropped extensively from USMC (+) 230 per cent at the 1956 year-end to USMC (—) 64 per cent at present. Because of such weakened state of the shipping market, the United States Government has ordered the mothballing of 20 Liberty ships out of the reserve fleet bottoms which had been re-

leased in the past. In addition, it is reported that the total of laid-up tankers of larger British and American oil companies has reached 49.

### Transport Situation

The ocean cargo transport volume of Japanese shipping for the 1956 fiscal year amounted to 30,964,000 tons, 4,080,000 (13 per cent) above that of 1955. The breakdown is: 12 per cent increase in export, 16 per cent upturn in import, and 12 per cent upswing in cross trade transport, the rise in import being the most conspicuous. When this is analyzed according to ship categories, liner transport increased by 16 per cent and tanker transport by 8 per cent, but the largest scale upswing was 19 per cent registered by tramp transport.

Though the volume of transport of Japanese shipping increased in such a manner, the loading ratio of Japanese export-import cargo on Japanese ships was only 46.9 per cent according to volume, falling below the 50.5 per cent figure for the previous year. When the situation is considered according to import and export categories, import recorded 44.8 per cent, slightly higher than the 43.2 per cent of the previous year, but export registered 47.5 per cent, 7.3 per cent below the 54.8 per cent figure of the previous year.

Next, in the phase of freight earnings, the total for the 1956 fiscal year reached ¥155,300-million, showing a 36 per cent increase of approximately ¥40,900-million compared with the previous term. The breakdown shows 16 per cent upswing in export, 44 per cent increase in import, and 32 per cent upturn in cross trade transport, the rise in import transport earnings being most marked.

Though it goes without saying that the increase in such freight earnings is the result of the upswing in transport volume, the expansion of shipping tonnage and the rise in the operation rate, it is much more the result of the upswing of the freight rate itself. When the freight income is analyzed according to ship categories, it is seen that the income from liners rose 32 per cent and that from tramps 33 per cent, but that for tankers swung up markedly by 56 per cent. When the transport situation is observed according to regions in the Export aspect, nearby waters stood first with plus 46 per cent, followed by European waters with plus 44 per cent, and North America Pacific Coast area with plus 41 per cent. In the nearby waters classification, Region No. 1 (Korea, China, Formosa, Hongkong, etc.) registered a marked upswing of 64 per cent. Moreover, attention is focused on the fact that the proportion of the total export volume accounted for by the near seas region rose from last year's 45 per cent to 56 per cent.

As regards the import aspect, with the approximately two-fold increase for Oceania at the top, European waters rose 75 per cent and near seas Region No. 1 swung up by 68 per cent. And the proportion of total import transport volume accounted for by the near seas region rose from the previous year's 48 per cent to 50 per cent. Thus both in import and export aspects, the near seas region transport was most active.

Next, the transport situation will be observed from the standpoint of major categories of commodities handled. In the export classification, conspicuous increases were shown by cement, which about doubled the previous year's figure, and by fertilizer, which rose by 90 per cent. These shipments were principally destined to Southeast Asia and Communist China. In the import classification, marked up-



swings were recorded by lumber (82 per cent), coal (37 per cent), wheat (30 per cent), and salt (27 per cent). Rice import fell 32 per cent compared with the previous year's total due to the bumper crop.

Furthermore, foreign currency income and outgo for the 1956 calendar year were as follows: Receipts \$158-million, Payments \$326-million, and Payment Excess \$168-million. This means that the balance is adverse by \$58-million compared with the previous year's total. In addition, port expenses and other items have added up to \$126-million in the red. Thus the aggregate balance of international payments in the transport account showed a payment excess of \$294-million, a turn for the worse of \$145-million compared with the balance of the previous year.

This situation is the result of the following factors: That Japan's degree of dependence on foreign shipping has become greater because the rate of increase of the volume of trade has far outstripped the rate of increase of Japanese bottoms; that a large portion of major import goods originates in far distant regions and, moreover, their loading rate for Japanese bottoms is very low (iron ore 27 per cent, scrap iron 7 per cent, and coal 29 per cent), and others.

#### Shipping Tonnage

According to the Transportation Ministry survey, Japan's merchantship fleet as of May-end, 1957, consisted of 1,338 vessels, aggregating 3,935,000 G/T (of ships over 100 G/T). Compared with the corresponding month of the previous year, there was seen an increase of 14 per cent, namely 115 ships totalling 482,000 G/T. The breakdown is (cargo-passenger ships and others not included): Cargo Ships 915 ships, 3,027,000 G/T (compared with May, 1956, there was a 15 per cent increase, namely, 91 ships totalling 392,000 G/T). Tankers 249 ships, 742,000 G/T (compared with May, 1956, there was a 13 per cent upswing, namely, 17 ships totalling 88,000 G/T).

Bottoms of Japanese registry as of June-end, 1957, according to classifications (of ships over 1,000 G/T) are as follows: Freighters and cargo-passenger ships:—prewar ships 7 per cent, wartime standard ships 15 per cent, newly-constructed ships 69 per cent, and imported ships 9 per cent. Tankers:—prewar ships 3 per cent, wartime standard

ships 21 per cent, newly-built ships, 73 per cent, and imported ships 3 per cent.

When these figures are compared with those of June 1956, it is worthy of note that newly-constructed vessels have increased in the freighter and cargo-passenger category from 65 per cent to 69 per cent, and in the tanker classification from 67 per cent to 73 per cent, whereas war type standard vessels have fallen in the freighter and cargo-passenger category from 17 per cent to 15 per cent, and in the tanker classification from 26 per cent to 21 per cent. (However, the tonnage of wartime standard ships remains unchanged).

Next, consider the ocean navigation cargo vessels (including chartered foreign craft) according to regions. As of June, far distant region accounted for 67 per cent of the total, near seas region 29 per cent, and triangular trade region 4 per cent. Furthermore, the trade route situation according to regions as of June compared with that of the same month of last year shows increases in the following: Hongkong 300 per cent, Indochina 160, Central America 100, Thailand 90, Malaya 80, Australia 74, Europe 67, and India 60 per cent. Decreases were recorded for Burma (82 per cent), Formosa (48), China (30) and Near and Middle East (29 per cent). The tonnage of foreign cargo vessels chartered has risen from 363,000 tons D/W in June 1956, to 661,000 tons D/W in June 1957, an increase of 82 per cent. It is worthy of attention that the percentage of chartered bottoms to the total tonnage of cargo vessels operated has risen from 10 per cent to 15 per cent.

#### Freight Market

(1) Ocean Freight Market: a. Tramps: International sea-borne freight rates, which skyrocketed with the closure of the Suez Canal, began to drop at a single stroke with the onset of last year. There was also seen a downward trend in the freight movement relative to Japan because of concurrent Japanese measures to check import. This resulted in the decline of the tramp freight market ranging from 60 to 70 per cent below the high seen around the turn of the year.

Hampton Roads-Japan coal cargo rate recorded a high of \$26.00 previous year-end, exceeding by 18 per cent the



Korean War period high of \$22.00. But it has continued to fall since the beginning of the current year, registering a low of \$11.75 in July and dropping recently to \$10.25, a 61 per cent fall compared with the high of previous year-end and 49 per cent below the figure for the corresponding month of the previous year.

The North America Pacific Coast-Japan wheat cargo freightage, which is the heart of the Japanese tramp market, set a high mark of \$17.25 last February, rising slightly above the high during the Korean War period. Subsequently, it has fallen month by month to the current level of \$5.90, a 65 per cent decline from the past high and is approaching the August, 1952, low of \$5.50. The Marmagao-Japan iron ore rate has been dropping with the last year-end's high of 135s. as the peak. It sagged to 77s. 6d. last July, slipping 43 per cent compared with the past high and falling 35 per cent below the corresponding month of the previous year.

Though oceanic freight market had been softening since the beginning of last year, the near seas region tramp market had been comparatively stable. But near seas freightage also fell extensively with the onset of the summer "no demand" period, at last feeling the impact of the weakening of the Atlantic market and also the decreasing import volume of lauan lumber and iron ore, etc. from the near seas region due to Japan's tightened import. In other words, though the lauan lumber rate rose a certain degree even with the onset of last year, recording a high of \$35.00 for April and May due to large-volume purchases by import firms, it subsequently dived sharply because of decreased import volume. Most recently, it has slipped to as low as \$10.00, a post-war low, sliding in fact 71 per cent below the past high.

Due to such deterioration of the freight market, inefficient old-age ships are unable to operate on a commercial basis and some have already been laid up. Cases are now arising in which operators are refusing to renew charters due to excess bottoms resulting from dwindling freight loading volume.

b. Tankers: The spot tanker rate has been holding firm since the middle of the previous year reflecting the increase in oil cargo movement. In addition, it soared suddenly in the face of the blocking of the Suez Canal last November (all the more so because oil accounted for 64 per cent of the total freight tonnage passing through the canal. The Persian Gulf-Japan rate had been maintaining a phenomenal high figure of USMC (+) 210 per cent from the previous year-end to February, last year. However, because the tanker rate sagged worldwide, the tanker rate relative to Japan also declined sharply in March and thereafter due to the following factors: (1) oil cargo movement became dull as result of the abnormal warm winter in Europe, and (2) surplus tanker bottoms became available with the reopening of the Suez Canal in April. In recent months, furthermore, the Persian Gulf-Japan tanker rate has slipped to USMC (—) 60 per cent. (In this connection, the lowest postwar figure is USMC (—) 60 per cent seen during July and August, 1954).

The contributing factors are: (1) demand for spot bottoms has declined due to long-term charter contracts signed by respective oil companies and the building of self-operated tankers by them, they having learned a lesson from the skyrocketing of the tanker rate last year-end; and (2) demand for tankers lessened due to increased storage by respective petroleum companies in addition to the likelihood of large-scale reductions of foreign currency quotas for crude oil import.

c. Liners: With the settlement of the Japan-Europe freight conference issue as the turning point in June 1957

all liner trades conducted rate increases ranging from 10 to 15 per cent. In addition, qualitative improvements were carried out on operating bottoms. Due to the above, the liner rate gradually stabilized but intense competition still continues on all trades.

In particular, the fact that the United States Lines, U.S.A., assigned high-speed "Mariner" type cargo vessels to the New York trade beginning in July 1956, receiving liberal subsidies from the United States Government, dealt a devastating blow to Japanese liners, all the more so because this trade had been considered as the "Golden Route" of Japanese shipping. Furthermore, in view of the slump in the tramp market, various shipping operators have been directing their efforts toward newly entering liner trades or increasing the number of vessels assigned to liner trades already operated by them in an attempt to stabilize freightage and to achieve the liquidation of surplus bottoms. Because of the fear that the liner trades will be forced into confusion if the situation is left to take its own course, the Transportation Ministry is drafting a "Shipping Route Adjustment Law" designed to maintain order in shipping route.

(2) Inshore Freight Market: Inshore shipping market has been enjoying good business since last year due to increased cargo movement (the actual 1956 fiscal year inshore freight transport record compared with those of the previous year all show increases as follows: heavy oil 53 per cent, pig iron 36 per cent, fertilizer 26 per cent, non-ferrous metals 22 per cent, and coal 6 per cent). Coal cargo freight rate in July was up 12 per cent for the Wakamatsu-Keihin line compared with the corresponding month of the previous year and cement rate was up 20 per cent for the Ube-Shibaura line. However, the inshore freight rate has been slipping because inshore cargo movement volume has been falling in recent months due to the stagnation of business and also as result of the throwing in of large-size oceanic vessels into the inshore service (ocean-going shipping assigned to inshore routes as of end of August amounts to as high as 15, aggregating 130,000 tons D/W).

### Outlook

Japan's shipping market is swayed by the fluctuations in the volume of Japanese foreign trade but, fundamentally speaking, it is more governed by the world marine transport market situation centering around the European continent. The short-term prospects appear as follows: First of all, coal accounts for 58 per cent of all tramp cargo of the world contracted during last year (the previous year's figure was 50 per cent). Thus, it is the No. 1 factor dominating the international tramp market. Europe-bound transport of American coal especially is the central factor, and the transport volume for the year 1957 is expected to reach 43-million tons (actual record for the previous year was 37-million tons), of which approximately 25 million tons (58 per cent) had already been contracted for forward loadings as of March-end. Thus the movement of the spot market is exceedingly limited. As to grain, large-volume cargo movement cannot be anticipated as result of the bumper harvest forecast for Western Europe. Furthermore, near-term bottoms will continue to be in weak demand because long-term contracts are predominant. Especially when due consideration is given to the existence of unfavourable factors such as continued import restrictions and tight financing, it seems that Japanese shipping cannot expect much from the shipping market, though it might recover to some degree.

How is the other aspect, the long-term outlook? In this regard, an influential British shipping report has given the following forecast as to world shipping market, a situa-



tion which does not allow much optimism: The increase in the volume of tramp cargo henceforth is estimated at approximately 9-million tons annually and about 1-million tons D/W of bottoms are necessary to cope with this total. However, tramp tonnage is at present increasing at an annual rate of about 2-million tons D/W (because tanker construction will rise sharply in 1958 and thereafter, the rate of increase of tramps will decline. In spite of it, an annual increase of around 1,500,000 tons D/W in tramps is anticipated).

Thus if the situation develops in this manner, bottoms approximating 1-million tons D/W (about 4.6 per cent of the 22-million tons D/W of world tramps as of June-end, this year) will enter the surplus column. It is claimed that the basic recovery of the shipping market can hardly be expected at least until around the middle of this year unless sudden political upheavals come to pass.

## JAPANESE EMIGRATION IN THE POSTWAR PERIOD

Faced with a steadily increasing population on a territory reduced to the four main islands as a result of the war defeat, Japan has been looking to emigration as one means of meeting the problem of population pressure. Fortunately, there has been growing international recognition that the settlement of undeveloped areas of the world would contribute to the general welfare of mankind. Considerable attention has thus been placed on emigration. But what is the actual situation? For one thing, Japanese emigrants in the postwar period (from 1952 to the present) total approximately 30,000. This number includes those called by friends and relatives to settle in foreign lands. But this figure is insignificant when compared with the natural annual population gain of more than 1,200,000. The role of individual emigrants, on the other hand, is extremely important since their conduct in their new home has a great effect on the prospects of future emigration.

South America leads all other areas in welcoming Japanese emigrants. Brazil ranks first among the nations and is now accepting more emigrants than before the war. Other countries which have opened their doors to Japanese are Paraguay, Dominican Republic, Bolivia and Argentina. Japanese authorities are making every effort to maintain a high standard in the selection of emigrants and in their training. Because of this rigid program, only a few of the many thousands of emigrants have proved a disappointment.

Applicants for emigration go through the following procedure until the time of their departure from Japan: Application—1st selection—training and lectures—2nd and final selection—sailing procedures—entry into an emigration center. Applications are received at associations situated in prefectural and municipal government offices. Successful applicants first attend a lecture and training course. When this course ends, representatives from the Foreign Office, Ministry of Agriculture and Forestry and the Japan Overseas Association meet to make the final selections which is conducted in a very strict manner.

Among Government organizations, the principal ministry concerned with emigration is the Foreign Office whose Emigration Bureau handles all affairs relating to it. It has the cooperation of other ministries which are in charge of certain portions of the work. For example, recruitment of farm emigrants, their selection and training are under the administration of the Promotion Bureau of the Agriculture and Forestry Ministry; emigration of hired laborers is the responsibility of

When the situation relative to tankers is considered, the annual average rate of increase of sea-borne oil transport volume in the past was about 10 per cent according to United Nations statistics. Against this, the rate of increase of tanker bottoms according to the Lloyd's Register statistics is placed at approximately 10 per cent. Thus supply and demand just about balance one another. The major oil companies estimate that the rate of increase of petroleum demand for the 5-year period up to 1961 will average 6 per cent annually, and bullish tanker companies consider it to be around 10 per cent. In contrast to this, it is estimated that the rate of increase of tanker bottoms will average 15 per cent annually up to 1961. Consequently, tanker surplus in the future cannot be avoided. A recent announcement by Shell Oil views that 1959 will see a considerable volume of tanker bottoms in surplus and this trend will continue until 1961.

the Employment Stabilization Bureau of the Labor Ministry; emigration of technicians and the establishment of new enterprises abroad are under the care of the Ministry of International Trade and Industry; and the construction of emigration ships is directed by the Transportation Ministry.

The Foreign Office has established emigration centers in Kobe and Yokohama which furnish potential emigrants with lodgings and give lectures about the country to which they are going. The centers also assist the emigrants in connection with visa and customs matters. In addition, there is an advisory organ to the Government, the Overseas Emigration Deliberative Council, which has been founded within the Cabinet and is headed by the Prime Minister. It discusses vital matters relating to emigration policies. There is also an Overseas Emigration Committee in the Foreign Office to advise the Foreign Minister. On a lower level, an overseas emigration liaison consultative committee has been set up by officials in the various ministries concerned.

Among civilian overseas emigration organs, there is the non-profit Japan Overseas Emigration Federation which was established in January, 1954. It was entrusted by the Government to recruit, select and train emigrants as well as to educate them, help them get settled and to extend loans for ship fares. It is actively engaged in emigration work through the nationwide cooperation of its local associations scattered throughout the country. The Federation has also set up its branches in Brazil, Dominican Republic, Paraguay and Bolivia to promote Japanese immigration.

Another private organization is the Japan Emigration Promotion Co., Ltd. This company was established in September 1955 with the aim of promoting the overseas emigration of Japanese nationals. At present, it has a separate company in Brazil, a branch in Paraguay and a field office in Argentina. The firm is capitalized at ¥800 million with Government and private funds as well as a joint loan from three banks in the United States based on an immigration loan contract. It has so far either loaned or invested approximately ¥800 million.

An Association of Farm Workers to the United States was formed in June 1956 to handle affairs concerned with the dispatch of short-term laborers to California. This organization, which is associated with the Federation of Overseas Association and the International Farm Friends Association has no local network of its own.



## CHINA'S AGRICULTURAL PROBLEMS

"All conditions are ripe for China to make another giant leap forward on the agricultural front," declared Vice-Chairman Chu Teh in a speech at the recent National Agricultural Conference. It was one of a succession of such conferences devoted to problems of water and the land, attended by experts from all over the country, and supplemented by similar conferences at provincial level, all directed toward the many-sided problems of the 12-year Agricultural Development Programme.

Behind the despatch of some millions of both hard-core and disgruntled Government cadres, youths and school-children to the rural areas lies motives that go far beyond mere disciplinary or punitive ideas. Primarily the target is a vast increase of production through double-cropping, extensive irrigation, intensification of handicrafts and sideline occupations of all kinds. But there is also the larger object of taking the constructive revolution outward to the still primitive interior and thus to bridge the distance between the immemorial village and the sophisticated coastal cities and provincial capitals. It used to be said that one had only to walk five miles from any of the semi-foreign cities like Shanghai or Tientsin and march a thousand years in time and development.

The first revolution was largely destructive. When the armies had passed the land reformers went to work. The landlords and other educated and literate persons were liquidated in various ways. Their little store of classics and other literature was thrown into the fire or into the dustbin. The damage done in this respect was far more widespread than the famous burning of the books and the burial of the scholars during the revolutionary First Empire of Chin Shih Huang Ti 2,000 years ago. For the first few years the graduates of primary and middle schools in the countryside with one accord made tracks for the desk jobs in Government organs and enterprises of all sorts in the cities. The harassed rural kanpu, overwhelmed with Government regulations and orders of all kinds and confronted with the problems of agricultural co-operativization, first tried to get a transfer to the cities and finally took the line of least resistance and sided with the peasants in many things in which Government policy conflicted with their interests. The literacy campaign made slow progress, while the paper work mounted.

The shock of the rectification campaign last summer produced out of release and resentment a new surge of energy and determination. Something of the spirit of cold zeal and hard desperation which animated the Communists when they were isolated in their desolate mountain fastnesses has returned, and been communicated to lower layers of the Party. Nobody can tell how the disgruntled and dejected younger intellectuals will take their "exile" in the deep countryside. But everyone of them can readily see the immense job that has to be done in raising the peasants from their level of bare subsistence, and some of them have not lost the characteristic idealism of the Chinese youth which made them a power in politics so often in the past forty years. And primitive as the villages may be there are worse places on the confines of revolutionary expansion, the fierce cold of Northern Heilungkiang and of the Tsaidam Swamp, the intolerable distance of Karamai, close to the Siberian border.

Through all the fierce criticism and even fiercer reaction of the past few months the steeling process was almost unconsciously proceeding and there is no mistaking the strength of the new spirit which has gripped the nation, and the sense of better system and organisation which has

also become manifest. The first tentative approaches to mechanisation were a failure. The two-wheeled ploughs were copies from the Soviet Union and were found useless under most Chinese farm conditions. Now there is a general determination throughout all strata to apply the natural ingenuity of the people themselves to the solution of their own problems. The Chinese scientists and engineers have been required to get together with the farmers and devise their own machines of every sort for agriculture in strict correspondence with need and condition. The national conference on water irrigation, equipment and mechanisation of agriculture in December last decided on the production of 38 new types of agricultural machinery and farm tools. China's new machine-building industry is to provide the farmers with 40,000 complete sets of mechanised water-pumping and lifting equipment in 1958 for irrigation and drainage. The need became evident when the widespread drought of last summer compelled the peasants to carry water great distances with endless labour. Coal gas engines are to be made for a variety of village purposes and more than 100,000 persons are being trained to work the equipment. They are mostly demobilised soldiers, middle school lads and Government kanpu. In addition to new machines for irrigation and similar purposes, two million other implements such as sprayers and dusters are also being provided. Since the autumn harvest in 1957 the area of paddy fields and cultivated land irrigated by pumps has reached 87 million acres, and 30 million peasants and soldiers have taken an active part in the building of irrigation projects.

In a broadcast to the nation Vice-Minister Chen Cheng-jen, of the Rural Work Department of the Party, estimated that altogether 64 million people were engaged daily in irrigation and drainage work. This tremendous mass campaign, he said, embraced the whole country, is larger in scale than ever before, is keener in enthusiasm and faster in speed.

The anti-illiteracy campaign, which made little progress in the past two years, is now being pushed once more and nearly 50 million peasants will enter spare time classes to become at least partly literate before the ensuing summer. People's schools for this purpose have been set up in great numbers throughout seventeen provinces. Even so the illiteracy rate remains very high.

The most fascinating part of this widespread March to the Hills is the effort to conquer the problem of the vast mass of loess hills along the middle reaches of the Yellow River. In this area of dreary desolation, divested of all growth, primitive and highly modern methods are being introduced. The pattern of conquest was set by two impoverished, desperate peasants, now of middle age, in North Shansi, one of whom attended the national conference in Peking before Christmas. Largely as a result of their methods, it is claimed that an area of 50,000 square miles has been basically put under control out of a total of 300,000 which is the target of the second five year plan.

The attempt to advance from the plains to the foothills in a progressive ascent of the loess slopes failed; torrential rains brought down tons of mud and water which engulfed the new fields. The two Shansi peasants tackled each hill as an entity, from top to bottom, applying their methods according to the contours of the land. They planted saplings, terraced the land, and built various kinds of ditches, pools, ponds and ridges on different levels of terraces. They thus captured the rain water high up before it ran down.



Having thus protected and prepared for cultivation on the higher slopes, they dug small canals to the hillside and bore tunnels into the soil immediately below the terraced fields where the water was needed. Then a vertical well was sunk into the hill and water-wheels were installed to lift the water up to a small dam beside the terraced fields. The same process is then continued by what the Chinese call the "staircase" method, by which water can be delayed surprising distances up the heights. The modern method consists of sowing grass seeds by aircraft on the higher slopes. Peking's new emphasis on agricultural development comes none too soon, as the heavy influx of peasants into the cities in search of "a new life" continued unabated. The Central Committee of the Party and the State Council have issued joint directives calling on the local authorities to check this invasion of the urban areas. This has been extremely heavy since last winter and reached its greatest volume during the catastrophic floods in the North, which were accompanied in other parts of the country by severe drought. The situation thus brought about has caused a shortage of man power in the rural areas and impedes the development programme as well as the consolidation of the agricultural co-operatives, while the urban unemployment problem has been aggravated. The despatch of great numbers of people from the cities to the farms will hardly counteract the flight of the peasants, for the newcomers know little of farming and the farmers who remain will be hard put to it to provide them with accommodation and find time to teach them the rudiments of farmwork.

Apart from the attack on the great loess lands problem, emphasis is being placed at present on double-cropping rather than on reclamation of new lands—a difficult and costly process, since provision has to be made for the building of new homes and communications and a variety of basic amenities for the new settlers. In this matter Hupeh is cited as the major example. Though the province suffered the worst floods in a century in 1954, its progress was such that during the first five year plan it increased the cotton output by 60.5% and grain output by 33%. Last year the province harvested 10,850,000 tons of grain and 215,000 tons of cotton. It sustained the comparatively high yield of 375 kilos of cotton per hectare along the Yangtze River Valley, though agronomists had contended that cotton could only grow well along the Yellow River valley well to the north. The province also extended the double-cropping of rice as far north as 30 degrees latitude. Before the five year plan, double cropping of rice was common only south of 25 degrees latitude, particularly in Kwangtung and Fukien provinces. The speed of advance has been particularly marked in the last two years. An average of 750,000 tons of grain has been added in each of the last two years. This was attributed largely to good leadership; to the working out of careful production plans all down the line, the boldest application of farming improvements, the building of numerous water conservancy projects, the popularising of examples of good results, and the part played by top-level officials in the field work. Another key to Hupeh's success is the practice of selecting plots of land in every county, to experiment in exceptional yields. These exceptional plots of land, in the words of a Hupeh delegate, "acted like lighthouses on the ocean, pointing the way forward to the peasants and challenging any conservatism in the people's minds." The aim set for 1958 is to raise grain output by 10% and the output of cotton and oil bearing crops by 15%.

Provincial Congresses of the Party held in many parts of the country drafted plans to double both grain output and peasants' incomes. Kwangtung Province has drafted plans calling for an increase in the average per hectare

yield from 3.82 tons to around 7.5 tons, and to raise the total grain output from 12.25 million in 1957 to 24 million tons in 1967. It also plans to increase sugar-cane output by sixfold in the same period and to increase aquatic products to 2½ million tons by 1967—equal to the total national production this year. Among other things it plans to extend treble cropping and introduce up-to-date farming techniques.

At the same time Peking has called for a more rapid rate of expansion of animal husbandry in China. This, said Vice-Chairman Liu Jen, must keep pace with all other developments in the second five year plan. He pointed out that over 60% of China's total area of China's nearly 2,400 million acres were untitled hills and grasslands and most of this could be used for livestock raising. The soil and water conservation work now going on would also help in this task of expanding animal husbandry, alongside which processing industries must also be developed, such as milk powder plants, creameries, hides and meat factories, refrigerating plants, slaughter-houses etc.

China now has 84,270,000 head of cattle, horses, mules and donkeys, according to Vice-Premier Teng Tzu-hui. The number of pigs has been raised to 120 million head, and sheep and goats reach nearly 100 million. Kinderspest has been nearly wiped out and foot and mouth disease checked. The conference on animal husbandry which ended on December 18 was told by Vice-Premier Teng Tzu-hui that achievements have also been made, with Soviet help, in cross-breeding, and he added that steady steps toward socialism would be taken into the chief animal breeding areas of Inner Mongolia, Chinghai, Kansu, Sinkiang, and South-west Szechuan. There was rich experience in these areas but individual production, he argued, hampered animal breeding. In the hilly areas along the Yangtze and south of it animal breeding would also be developed to provide meat for the cities and countryside and draught animals for the plains. He envisaged a net increase of livestock in the major grazing areas of up to 10% a year.

## RURAL FINANCE IN CHINA

(Continued from Page 354)

overcome thoroughly, in the view of the Party Centre; and the bureaucratic airs can be eliminated and the functionaries be enabled really to reach the people and lead them (instead of being treated with contempt as ignoramuses who muck up everything). Functionaries will thus be able to become "both Red and expert" and to combine political theory with technique. They must not become "pragmatists who have lost their bearings, nor should they become armchair politicians," says the Party directive. This is also one of the keys to the completion of the Party's rectification task. All functionaries who are doing agricultural work are enjoined to cultivate experimental farming plots, where they can learn the rudiments of farming. Leaders working in industry, communications and transport, finance, trade, culture, education and other fields are also ordered conscientiously to study this method and draw the necessary conclusions in connection with their own working conditions with a view to eliminating bureaucratic airs and becoming "both Red and expert."



**THE HONGKONG AND SHANGHAI BANKING CO.**

1956 Hongkong Dollars		Hongkong Dollars	Sterling Equivalent
\$ 25,000,000	Share Capital: Authorised and Issued 400,000 Shares of HK\$125 each, fully paid	\$ 50,000,000	£ 3,125,000
128,000,000	Reserve Fund	128,000,000	8,000,000
11,039,578	Profit and Loss Account	2,062,463	128,904
\$ 164,039,578		\$ 180,062,463	£ 11,253,904
	<b>Hongkong Currency Notes in Circulation</b>		
30,000,000	Authorised Note Issue	\$ 30,000,000	
645,742,000	Excess Note Issue	661,742,000	43,233,875
	<b>Current, Deposit and Other Accounts, including</b>		
2,564,287,832	Reserves and Provisions for Contingencies and Taxation	\$2,695,184,683	
378,395	Amounts Due to Subsidiary Companies	413,060	
16,130,379	Acceptances on Behalf of Customers	21,859,997	
9,721,519	Proposed Final Dividend in respect of the year ended 31st December, 1957	10,531,645	2,727,989,385
			170,499,337

**NOTES:**

1. Confirmed Credits, Guarantees and Endorsements amount to HK\$438,186,404 (HK\$582,971,778) in addition to which there are commitments in respect of outstanding Forward Exchange Contracts.
2. Foreign Currency Balances have been converted into Hongkong Dollars at approximately the rates ruling at 31st December, 1957. The Sterling equivalents of the figures shown in the above Balance Sheet have been converted at the rate of HK\$1 = 1/3d.
3. Investments having a market value of HK\$30,894,496 are deposited with The Crown Agents to cover the liability in respect of the Authorised Note Issue.

\$3,430,299,703
\$3,599,793,848
£224,987,116

MICHAEL W. TURNER  
*Chief Manager.*

J. A. H. SAUNDERS  
*Chief Accountant.*

**PROFIT AND LOSS ACCOUNT FOR**

1956 Hongkong Dollars		Hongkong Dollars
\$ 4,000,000	Amount to be written off Bank Premises	\$ 4,000,000
6,481,013	Interim Dividend of £2 per share on 200,000 shares paid 10th August, 1957, £400,000 at 1/2 13/16	\$ 6,481,013
9,721,519	Proposed Final Dividend of £1.12.6 per share on 400,000 shares, £650,000 at 1/2 13/16	10,531,645
11,039,578	Balance carried forward to next year	17,012,658
		2,062,463
\$ 31,242,110		\$ 23,075,121

Special Administrative Expenses, including Chief Manager's emoluments, Directors' Fees and London Committee Fees amounted to HK\$972,221 (HK\$964,015).



# ON BALANCE SHEET AT 31ST DECEMBER, 1957

1956 Hongkong Dollars		Hongkong Dollars	Sterling Equivalent
\$ 200,966,739	Cash in Hand and Balances with Other Banks	\$ 266,561,910	£ 16,660,119
149,986,529	Money at Call and Short Notice	163,783,496	10,236,469
220,746,319	British and Other Government Treasury Bills	425,026,644	26,564,165
600,015,157	Trade Bills Discounted	490,218,844	30,638,678
645,883,047	Hongkong Government Certificates of Indebtedness issued in respect of funds deposited as security for the Excess Note Issue	661,883,047	41,367,690
Investments, at under market values:			
BRITISH, COLONIAL AND OTHER GOVERNMENT SECURITIES:			
211,303,280	Quoted in Great Britain	\$190,657,728	
105,741,011	Quoted outside Great Britain	112,433,262	
OTHER INVESTMENTS:			
18,096,610	Quoted in Great Britain	27,154,144	
13,944,029	Quoted outside Great Britain	11,803,800	
		342,048,934	21,378,059
Advances to Customers and Other Accounts, less Provision for Bad and Doubtful Debts			
1,213,501,940		1,186,038,421	74,127,401
5,497,165	Amounts Due by Subsidiary Companies	8,203,416	512,714
16,130,379	Liabilities of Customers for Acceptances, per contra	21,859,997	1,366,250
\$3,401,812,205		\$3,565,624,709	£222,851,545
Fixed Assets			
9,263,842	Investments in Subsidiary Companies, at cost	\$ 12,837,159	
1,603,499	Investment in Associated Company, at cost	2,003,499	
17,620,157	Bank Premises at cost, less amounts written off	19,328,481	
		34,169,139	2,135,571
\$3,430,299,703		\$3,599,793,848	£224,987,116

C. BLAKER  
L. KADOORIE } Directors.  
L. B. STONE }

## AR ENDED 31ST DECEMBER, 1957

1956 Hongkong Dollars		Hongkong Dollars	
\$ 10,606,689	Balance brought forward from 31st December, 1956	\$11,039,578	
—	Less: Amount transferred to Reserve Fund	9,000,000	\$ 2,039,578
Profit for the year, after providing for taxation on profits earned to date and after making transfers to the credit of Reserves for Contingencies, out of which provision for diminution in value of assets has been made			
20,635,421			21,035,543
\$ 31,242,110			\$ 23,075,121



## THE HONGKONG AND SHANGHAI BANKING CORPORATION

(Continued from Page 361)

would normally have accrued to them. As a result the economic situation deteriorated rapidly with an increase in the note issue, steadily rising government borrowing from the Bank Indonesia and a dwindling of the foreign exchange reserves. These tendencies, which had been evident to a greater or lesser degree during the year, gathered momentum in December when it was decided to expel the Dutch in whose hands so much of the country's trade still remained. The disruption of coastal shipping which followed this move was a particularly serious matter. Many leading personalities in Indonesia expressed doubts about the wisdom of this action, which was in fact less strictly enforced in the outer islands, and relations between Java and the rest of Indonesia continued to deteriorate. Although political differences played a large part in the growing dissension, the main cause has been economic. Java with its large population has always required more of the country's resources than she has been able to contribute and although this is to a certain extent inevitable, the outer islands have felt that they were not getting their fair share. Whatever the outcome of recent events may be it seems clear that the previous method by which foreign exchange resources were allocated is unlikely to be resumed. Meanwhile barter trade of various types enables necessary supplies to be obtained but the terms of a great deal of this trade are far from favourable and do not benefit the economy of the islands as a whole.

### INDIA

In August, India completed the first decade as an independent country during which period she has developed a considerable degree of political maturity and now exercises a profound influence on neighbouring Asian countries. The elections resulted in the expected victory of the Congress Party, although they suffered a number of setbacks, particularly in Kerala where a Communist administration took office. This has necessitated certain problems of adjustment at the centre but the Congress supremacy over the country as a whole has not been seriously challenged. Relations with Pakistan unfortunately show no signs of improvement, with the Kashmir problem still outstanding and the dispute over the irrigation rights in the Indus valley no nearer solution. Trouble still continues on the border of Goa but a settlement has been reached in respect of the Naga areas. On the whole, the political scene shows little change.

The most conspicuous feature of the economic scene has been the steady deterioration in the foreign exchange reserves. When the Second Five-year Plan was drawn up it was anticipated that there would be a foreign exchange gap which would develop towards the middle of the period and it was hoped to meet this by borrowing abroad. Due to a large extent to the rise in world industrial prices the drawing down of the sterling balances occurred earlier than was expected and in fact the rapid decrease during the summer was one of the strains which resulted in the weakness of sterling. In spite of a loan in U.S. currency from the International Monetary Fund of the equivalent of £45 millions, the sterling balances dropped from £400 millions at the end of 1956 to £220 millions at the end of 1957, which by any standards is a sizeable fall. In October it was in fact found necessary to reduce the foreign assets which were required by statute to be held by the Reserve

Bank of India. It was India's misfortune that this deterioration in the balance of payments should occur at a time when capital was in short supply and it soon became obvious that assistance would be difficult to obtain. The amount required seems likely to be considerable as, even after paring down the plan to its bare essentials and discarding all the frills, it is still expected that there will be a shortfall on external account of over £500 millions. Recently the U.S. Government has announced a loan of approximately £80 millions and has promised to provide surplus agricultural products, while other countries will grant credit on a smaller scale. As a result, the immediate outlook is more promising but the problem of providing sufficient food for internal consumption still gives cause for concern. It had been hoped that food imports were a thing of the past but the harvests have not come up to expectation nor has production increased fast enough to meet the increased demand and it has been found necessary at times to use valuable foreign exchange for the import of food. Imports of other commodities have been cut to the bone and all types of expenditure requiring the use of foreign exchange are being rigorously curtailed.

It will be seen that active steps have been taken to reduce the foreign exchange drain but this has resulted in the index of industrial production starting to decline, having moved steadily upwards since 1951. This is probably due to a certain extent to a shortage of industrial raw materials and I am glad to see that it has recently been announced that the import of capital goods will not be made at the expense of raw materials. I hope that this policy will be strictly adhered to as, necessary though new industrial investment is, there will be no overall benefit to the economy if existing industries are forced to curtail production.

Last year I pointed out how important it was for the future of parliamentary institutions in Asia that India should succeed in her efforts towards increased industrialisation and this is as important now as it was then. In spite of the difficulties I mentioned above a great deal has already been done and the available capital has on the whole been wisely spent. Progress is being made in the construction of the three new government steel plants and the expansion of the two that are privately owned, while many other projects are completed or nearly so. The industrial delegation, led by Mr. G. D. Birla, which recently visited North America and Europe found genuine sympathy for India's aspirations and willingness to help as far as possible. The delegation, however, was impressed by the serious misgivings which were felt about some of the country's fiscal and economic policies and these criticisms are similar to many that have been made from time to time by industrialists both in India and elsewhere. In particular, the slow growth of domestic savings, which has resulted in a shortage of local capital, could have an unfortunate influence abroad. High taxation is blamed for this shortage and the recent widening of the taxation net by the inclusion of the wealth and the expenditure tax is unlikely to make the position any easier. "Without profits there can be no savings, without savings there can be no investment and without domestic investment no seeking of capital abroad," the delegation declare in their report and these are words which could with advantage be seriously considered not only by India but by many other countries in the world today.

In conclusion, it is clear that the country faces a difficult time in the immediate future with the probability that things will get worse before they get better. The outlook is, however, not entirely black and if it is possible



to surmount the troubles of the next few years the increasing industrial investment should begin to make its influence felt.

### BURMA

Burma also recently celebrated the tenth anniversary of the attainment of independence and this coincided with a growing improvement in the internal situation. It had been clear for some time that the restoration of law and order must take precedence over economic development and in June the Prime Minister, U Nu, promised that in future this would be his government's policy. The increased expenditure in the budget on the police and defence was practical action along these lines while the surrender of several regional commanders of the terrorists with their followers was evidence that the more vigorous measures adopted were having their effect. Little progress, however, was made in the border dispute with China over territories in the Kachin State.

The general financial outlook is far from promising. The foreign exchange reserves fell from £40 millions to £30 millions notwithstanding a loan from India; while the failure of the rice crop in certain areas will result in the exportable surplus being only a little over half of the two million tons shipped last year—admittedly a post-war record. Teak output which was running at about 50% over the previous year's figures is expected to continue to improve and exports increased by about one fifth. The fall in the world price of non-ferrous metals will, however, result in lower earnings from this source. In view of the deteriorating state of the foreign exchange reserves it is not surprising that action has been taken by the exchange control and import licencing authorities to bring about a reduction in imports.

The semi-government organisations which I mentioned last year now handle a large part of the import trade and were set up with the intention of reducing the cost of living. In this they have had a limited success as although some prices have fallen they have run into difficulties over distribution and have not always arranged their orders to meet the market demand. In fact faulty procurement has resulted in the arrival of imports being uneven and this has at times caused delays at the port of Rangoon. Reconstruction of the port is continuing but a great deal still remains to be done.

Although it has not been found possible to push ahead with industrialisation with as rapid a speed as was once hoped, quite a large number of projects have been completed and the joint venture arrangements between foreign concerns and the government are working well. Until it is clear that the terrorists' organisation has been broken the pace of future development may be slow but a favourable rice crop this year would alter the economic outlook very rapidly.

### CEYLON

During the year the government were able to implement a number of their election promises. The British bases were handed back, a compromise was reached on the language issue and a select committee was set up to examine the question of revising the constitution. Nationalisation on the other hand is not being rushed although the bus transport system came under public ownership on 1st January, 1958, and it seems likely that the port of Colombo will follow suit. The tenth anniversary of the attainment of independence, however, finds the political situation un-

easy with considerable rivalry between the various groups which make up the People's United Front. This has mitigated against resolute action being taken to deal with some of the outstanding problems, the most important of which is the continuing labour unrest, particularly in the port of Colombo. The movement of exports has naturally been hampered and the delays in the port have caused a number of ships to bypass Colombo.

Ceylon is fortunate in having a comfortable cushion of external assets but the terms of trade moved against her in 1957 and the reserves fell by Rs.236 millions, the first year in which they have declined since 1953. The tea crop was a record and in spite of the delays in the port of Colombo, exports of tea for the first eleven months increased both in value and volume, as did exports of rubber. Trade as a whole was greater but as imports showed a larger increase there was an adverse balance of Rs.85 millions. A number of measures have already been taken to restrict withdrawal of capital and import duties on luxury goods have increased but it remains to be seen whether or not stricter control of imports will be necessary. The recent floods, although not quite so devastating as had been reported in the press, are bound to increase government expenditure for relief work and repairs; a deficit had already been estimated in this year's budget which seems likely to be increased.

The future economic outlook is somewhat uncertain as is always the case with this country when the price of her export commodities is low. While external events dictate the level of these prices, the other unsatisfactory feature of the economy, namely, the disturbed labour relations, is a problem which must be tackled internally. I hope that action will not be too long delayed.

### CONCLUSION

Once again I come to the end of my survey of the eastern scene and I am afraid this year it has not been possible to paint quite such a rosy picture. It may be that the post-war boom is ending and that a period of recession is setting in. On the other hand this may be merely a pause before the advent of a further upward surge of world economic expansion. Time alone will tell but meanwhile I think it would be wise not to count on any rapid improvement in the conditions of the countries which I have been discussing. Commodity prices are still very weak and the resulting adverse reaction has been accentuated by the large development plans most of them have undertaken. Their problems are on the whole similar; growing populations, a large part of which have a comparatively low standard of living, with their economies dependent to a large extent on agricultural commodities subject to severe fluctuations in price. It is not surprising that there is the urge to expand local industry in order not only to raise the standard of living but also to make the economy less susceptible to the vagaries of world demand. But rapid industrialisation has its own problems, the most difficult of which is to keep inflation under control. As the projects get under way employment rises and with it demand, particularly for food and basic clothing. Prices go up and it is found that the available foreign exchange is earmarked for the imports of machinery and industrial raw materials. Imports of consumer goods which would restore the level of prices have to be limited due to payment difficulties but the internal demand still grows. It can be seen that striking the proper balance among the conflicting claims on the resources available is by no means easy and to point out what is wrong is easier than to show the way of putting things right. No doubt development can be slowed down



but this takes time as it is obviously uneconomic to stop enterprises already half completed. Raw materials must continue to be imported to keep existing industries running and the failure of a harvest or a rise in prices abroad may completely upset even the most conservative of calculations. I am not suggesting that errors have not been made nor that administration has not at times fallen down due

to inexperience or even more blameworthy causes. Nevertheless any criticisms of the failings of these countries should be tempered with the realisation of the immense difficulties they have to face and if at times they may have aimed too high, surely this is an accusation that could be levelled at many of the most successful examples of human endeavour.

## Report by the Chairman

The annual general meeting of the Bank was held on March 14, 1958. The Chairman of the Board of Directors, Mr. Cedric Blaker, stated:—

The profit for the year amounts to \$21,035,543, which is an increase of \$400,000 over last year's figure. In accordance with our normal practice this profit has been arrived at after making transfers to the credit of our inner reserves out of which full provision has been made for the depreciation in value of our investments and all known doubtful debts and contingencies.

It is proposed that a sum of \$4,000,000 should again be written off Bank Premises and, after allowing for this transfer and the interim dividend of £2 per share, the directors recommend the payment of a final dividend of £1.12.6d. per share, leaving a balance of just over \$2,000,000 to be carried forward to next year. As approved by shareholders at the Extraordinary General Meeting held in August, the capital of the Bank was increased from \$25,000,000 to \$50,000,000 by the distribution to shareholders of 200,000 new shares of \$125 each, credited as fully paid up. This final dividend is payable on the increased capital and the actual amount which it is proposed to distribute by way of dividend is increased by \$800,000 over the previous year. The reduction in the carry forward is due to the transfer during the year of \$9,000,000 to the Reserve Fund as part of the operation to capitalise part of the Reserve Fund in connection with the new issue of capital.

Turning to the balance sheet, the Capital Account shows the increase which I have just mentioned but the Reserve Fund remains unchanged at \$128,000,000 due to the transfer of \$9,000,000 from the Profit and Loss Account and \$16,000,000 from Inner Reserves. Hongkong currency notes in circulation show an increase of \$16,000,000 due to a rise in the Excess Note Issue and this increase is reflected on the other side of the Balance Sheet by a similar increase in Hongkong Government Certificates of Indebtedness. Current, Deposit and Other Accounts show a rise of \$131,000,000 mainly due to higher Fixed Deposits. Acceptances on behalf of Customers show an increase and the total has now exceeded the figure of two years ago.

When we turn to the Assets side of the Balance Sheet, we find the ratio of readily realisable assets to the total liabilities has risen by 4% to just under 49%. Both Cash in Hand and Money at Call and Short Notice are higher than last year but the main changes are to be observed in the British and Other Government Treasury Bills and Trade Bills Discounted, the former increasing by \$204,000,000 while the latter decreased by \$110,000,000. Advances also show a slight decrease and it can be seen that a large part of our increased deposits have been utilised in Treasury Bills as opposed to the financing of trade. This is unfortunately a sign of the generally lower commodity prices and a slackening of trade in the areas in which we operate.

On the whole we can look back on a satisfactory year but as shareholders will see from the printed Statement, economic conditions in many of these eastern territories have been unfavourable and the immediate outlook can only be regarded as uncertain. It remains to be seen

whether the coming year will prove as profitable as the last but it would be reasonable to hope that we may not find it necessary to allocate any further sums for the purpose of writing down our British Government securities, which has been such a disturbing feature of the last few years. Before I leave the Balance Sheet I should like to say how pleased your Directors are that the arrangements for the abolition of the contingent liability of shareholders were satisfactorily concluded during the year. Due to the fact that the Bank is incorporated under a special Hongkong ordinance and we are responsible for issuing such a large part of the Colony's currency the necessary steps to abolish the contingent liability required authorisation by the Hongkong Government and the Secretary of State for the Colonies. I should like to thank the various officials who were concerned in these negotiations, for the ready response they gave to our application which resulted in the satisfactory conclusion of the operation, entailing as it did a certain degree of delicate timing.

The Balance Sheet of our Californian subsidiary, which is included in the accounts before you, shows signs of steady growth and the new office in Los Angeles got off to a good start.

During the year we opened a new office in Seria, in Brunei, and arrangements are being made to open an office in Kuching, in Sarawak. In view of the disturbed conditions in Indonesia we have decided to close our office in Surabaya. Although this office was opened in 1896 and for a time, previous to the last war, was a valuable connection, business recently has been falling off. Mr. G. R. Roper-Caldbeck joined the London Committee during the year and Mr. S. W. P. Perry-Aldworth, Senior London Manager, was appointed Deputy Chairman.

I should like to take this opportunity of congratulating the Chief Manager, Mr. Michael W. Turner, on the honour which Her Majesty The Queen recently conferred on him. I am sure you will all agree that this award was richly deserved and was some recognition of the hard work he has put in, not only for the Bank but in the general interests of the Colony. Our thanks are also due to the branch managers and the staff for their continued loyalty and efficient service to the Bank.

Before I close there are two matters of local interest to us here in Hongkong. In the first place we all are pleased that Sir Robert Black has returned to the Colony as Governor. Sir Robert is well known to most of us in this room and I am sure you will join with me in wishing him a long and successful period as governor. The second matter is the welcome news that the Murray Barracks area of the military lands is at long last to be surrendered to the government. This is a matter which has been discussed as long as I have been in Hongkong and in fact turning over the old Minutes of our Annual Meetings, I notice that in 1923, when the land values were described as being at undreamt of heights, the value of this area to the business community was urged on the government as a reason for its speedy surrender. Thirty-five years is a long time but it looks as if the development of this area will now become an accomplished fact.

## Report of the Directors

		Hong Kong Dollars
The Profit for the year, after providing for taxation on profits earned to date and after making transfers to the credit of Reserves for Contingencies, out of which provision for diminution in value of assets has been made, amounts to ....		\$21,035,543
To this must be added the undistributed profit brought forward from the previous year .....	\$11,039,578	
Less: Amount transferred to the Reserve Fund during the year .....	9,000,000	2,039,578
		23,075,121
An Interim Dividend of £2 per share on 200,000 shares was paid on 10th August, 1957, amounting to £400,000 at 1/2 13/16 .....		6,481,013
leaving a balance available for distribution of .....		16,594,108
This balance the Directors recommend be appropriated as follows:—		
Amount to be written off Bank Premises .....	\$ 4,000,000	
A Final Dividend of £1.12.6. per share on 400,000 shares £650,000 at 1/2 13/16 .....	10,531,645	14,531,645
leaving a balance to be carried forward to next year of .....		<u>\$ 2,062,463</u>

The above appropriations have been incorporated in the Accounts.

In accordance with a resolution passed at an Extraordinary General Meeting of Members held on 9th August, 1957, the capital of the Corporation was increased to HK\$50,000,000 by the creation of 200,000 new shares of HK\$125 each and a sum of HK\$25,000,000 standing to the credit of the Reserve Fund was capitalised and applied in payment in full of the 200,000 new shares. During the year legislation was passed amending the Bank's Ordinance to cancel the Reserve Liability of Members and to abolish the contingent liability of Members in connection with the Note Issue.

The Board of Directors have authorised the transfer of a sum of HK\$16,000,000 from Inner Reserves and a sum of HK\$9,000,000 from the balance of undistributed profits to the Reserve Fund. The Reserve Fund accordingly now amounts to HK\$128,000,000.

**Directors**—During the year Mr. J. A. Blackwood resigned his seat and Mr. G. M. Goldsack and Mr. W. C. G. Knowles joined the Board. Messrs. J. F. Macgregor, C. Blaker and L. Kadoorie retire by rotation, but, being eligible, offer themselves for re-election.

**Auditors**—The Accounts have been audited by Messrs. Lowe, Bingham & Matthews and Messrs. Peat, Marwick, Mitchell & Co., who are eligible for re-appointment.

## DEVELOPMENTS IN SINGAPORE

### Mr. Harold Macmillan's Visit to Singapore

Mr. Harold Macmillan and Lady Dorothy arrived in Singapore on January 18th for a 22 hour visit on their way from their happily and fruitfully successful visits to the older Asian members of the Commonwealth and their visits to the Australasian or Antipodian members. They were met at the Airport by the Governor, Sir William Goode, the Commissioner-General, Sir Robert Scott, the Chief Minister Mr. Lim Yew Hock as well as by the Ministers, the Service Chiefs, the Commonwealth Representatives and their wives. A guard of honour was mounted by the Malayan Auxiliary Air Force. To the Press he described his journey as a "happy journey of personal contacts and renewed friendship with the Asian members of the Commonwealth" and brought "a message of success and goodwill" for the Government and people of Singapore. Of the Commonwealth he said: "The Commonwealth ideal—by promoting and encouraging the growth both of internal and international democracy and freedom—has, beyond doubt, a positive and powerful contribution to make to the peace of the world and to friendship between nations."

He expressed his trust that under the new constitution the people of Singapore would enjoy the stability and

progress which all the people of Britain heartily wish for them, and looked forward to Singapore playing its important role as one of the great trading centres of Asia "with increasing power and wisdom."

During their stay, they were the guests of Sir Robert Scott at his residence, Eden Hall. On the Saturday evening, he met Mr. Lim Yew Hock, Che Abdul Hamid and Mr. Chew Swee Kee at dinner. The following morning he met Mr. Fujiyama, the Japanese Foreign Minister who was passing through Singapore on his way to Djakarta to sign the Reparations Agreement and Peace Treaty with Indonesia. He spent the rest of the morning with the U.K. Governors and Ambassadors in South and S.E. Asia in general discussion of the U.K.'s foreign policy and the special problems of S.E. Asia. The U.K. representative in Peking and the High Commissioner for Australia were also present to widen the range of first-hand knowledge of the Conference.

The Macmillans left again for New Zealand early in the afternoon. A smart Guard of Honour mounted by the Singapore First Infantry Battalion—the first ceremonial guard they had ever mounted—earned high praise from Mr. Macmillan, and coming from a former Guardsman, the praise was doubly appreciated. In his farewell message to the



Press he congratulated the Chief Minister and his colleagues on "doing a fine job" and expressed the hope that they would "have the general support of the people in the work which they are about to undertake."

Their visit was a welcome one, for Singapore share the pleasure of the first visit of a U.K. Prime Minister to the Asian territories of the Commonwealth, while in office. The Nanyang Siang Pau welcomed him as "a gentleman who according to the Confucian definition, follows the golden mean". The Sin Chew Jit Poh looked forward to greater co-operation and mutual help as a result of the visit. The Sin Mah Jit Poh welcomed his strengthening of Commonwealth ties. The Nanfang Evening Post gave a special welcome to Lady Macmillan and set out her record of public service as an example to the women of Singapore. On the other hand, the visit, following the PAP success in the City Council elections, has raised the question of whether the introduction of the new Constitution is likely to be postponed and of the attitude of the U.K. and Federation Governments should elections for the Assembly bring a PAP government to power.

#### Industrial Development

On January 9th, Mr. J. M. Jumabhoy, the Minister for Commerce and Industry, opened a site for 23 factories in the Alexandra Road area near the Queenstown. This project he said aimed at providing sites for the small factories, just as the Industrial Promotion Board aided to provide capital. For industrialisation was essential to meet the employment needs of Singapore's growing population. In a later speech he criticised local capital for not investing more readily in local industrial development.

In the December meeting of the Legislative Assembly, Mr. Jumabhoy gave his account of the progress of industrialisation: "... in 1955, 74 new industrial companies were registered; in 1956, 93; in 1957, 129—these are industrial companies. Of these industrial companies, you have a vegetable oil refinery with a capital of \$1½ million. Then you have industries with \$1 million capital—a biscuit and confectionery manufacturer, cotton spinner, linen maker, rubber miller. In the half a million dollar capital class you have a box manufacturer, gramophone record maker, latex foam products maker and pineapple canner. All these industries have been registered in the 11 months of this year, from January to November, on which 2,154 businesses were registered of which 165 were limited liability companies of all types with a total capital of \$225 million. In 1955 and 1956 there were \$2 million capital companies operating—canneries, sauce factories, rubber goods manufacturers; and of course we have a steel and iron mill plus other manufacturers with a million dollar capital."

Plans are now finalised for the establishment of a flour mill which, in the final stages, will involve a capital of \$5 million. The company will be operated by Hongkong capital. Approval in principle has also been given for another big enterprise with about \$2 million capital. The Shell Company is planning to build a big oil-bulking plant with a total expenditure of about \$3 million. Then negotiations are now going on for the establishment of a tuna industry using Singapore as a base for the fishing vessels, and the ancillary industries of canning and others connected with tuna fishing.

#### Singapore Harbour Board

Speaking on January 24th, after his wife with calm grace had opened the new Passenger Terminal Building in the Singapore Harbour Board, Mr. Jumabhoy paid tribute to the "careful organisation" of the Board. In the first 10 months of 1957 the Board have handled 3,840,000 tons of

cargo—26% of the total cargo which had passed through Singapore. To meet the steadily growing demands on its services, development expenditure had increased from \$17.37 million in 1953 to \$34.15 million in 1957. The appointment of the Port Commission was no reflection on the Board, but had been made necessary by the need to expand the facilities not only of the Board, but of the Telok Ayer Basin and the Singapore River.

#### Citizenship Registration

Citizenship Registration closed on January 31st with a total of over 325,000 new citizens registered in 3 months—about as many as were already on the electoral register. A last-minute increase in registration among European citizens of the U.K. and the Colonies was the result of a statement from the U.K. Commissioner-General's Office "that, so far as the United Kingdom Government is concerned, citizens of the United Kingdom and Colonies who become citizens of Singapore will retain their United Kingdom citizenship and will not forfeit any of the rights of that citizenship." These names will now be added to the electoral register for the Assembly elections later in the year. Registration will continue for 2 years, but further names will not be added to the electoral register until it re-opens. This very successful piece of improvised administration completed the first phase of the move towards full internal self-government. The new citizenship, however, has only local relevance until the amendment to the U.K. British Nationality Act recognises Singapore citizenship as a separate entity in the family of Commonwealth citizenship, and Singapore is entitled to issue its own passports.

#### New Chief Secretary

Mr. E. B. David, Colonial Secretary, Hongkong, arrived in Singapore on January 29th on secondment as Chief Secretary, Singapore until the post lapses with the coming into force of the new constitution. Mr. David is an exact contemporary of the Governor, Sir William Goode, in the M.C.S., and has served continuously in Malaya from 1931 to 1953 when he left on secondment for 2 years to the Colonial Office from which he moved to Hongkong.

#### Housing Development

The pattern of design and colour of the new communities built by the Singapore Improvement Trust becomes of growing importance each year, and earns high praise from visitors from East and West. But, according to a recently statement by the Manager, Mr. J. M. Fraser, the 1957 results were disappointing, because of the difficulty of clearing squatters from the sites selected. Only 1,074 flats, 200 houses and 70 shops were completed, mainly in the Queenstown area where the Princess Estate was completed, on the landward half of the former Kallang Airport, and in the village extension scheme at Bukit Panjang. At the end of the year, however, 4,971 homes and 124 shops were under construction—double any previous record for the number of units under construction at any one time. The capital cost of these schemes is \$30 million. The biggest scheme is on the old Kallang Airport, which is on excellent site looking westwards towards the business buildings of Collyer Quay; a new community with all the necessary buildings grow visibly from day to day. By the end of 1957, the S.I.T. had built 17,567 dwellings and shops with a capital investment of \$103 million. Of the houses now under construction 4,500 will be completed in 1958 and 2,500 in 1959, and a new programme is now being prepared for the next scheme of 6,850 dwellings. These are formidable figures, but they must necessarily be so in face of the formidable challenge of Singapore's growth.

### P.A.P. in City Saddle

In the full and welcome glare of publicity the PAP are facing up to the party's first taste and test—of administrative responsibility. At the City Council meeting on January 8th, the newly-elected Mayor Mr. Ong Eng Guan outlined his party's programme of service to the people and particularly "those section of the public who have been left neglected for so long in the past in the slums of the City". He said they had inherited a "legacy of neglect and maladministration". With the limited finance at their disposal, they would re-draft the budget to give priority to the needs of Chinatown and the kampongs of Geylang. In the kampongs new roads would be built, but on account of the limited financial resources, he suggested that while the City Council would supply the materials and skilled direction, the villagers should supply voluntary labour. More sand-pipes and electricity would be provided. For Chinatown there would be clinics, creches and playgrounds, sewerage and public lavatories, bus stops and street lamps. A Hawkers Advisory Committee would work out a new policy for growing problems of hawkers. The Mayor has also set up a Public Complaints Bureau as a check on corruption, an Information Section among whose duties will fall that of translating the City Council news from the vernacular Press into English, and the regular holding of "Meet the People" sessions. These three innovations have already been introduced. Malay classes have also been set up for the staff.

On the practical programme of social reform there has been little controversy, and the announcement of a differential scale of charges for electricity to reduce prices for

the small consumer would be electorally popular in any country. But the overtones and other issues have raised controversy and opposition in the City Council. Before the meeting in January, the two Union Jacks were removed from the Council Chamber, though the Mayor paid respect to the feelings of those from whom the flag which had been retained by the internees during the Japanese occupation had special associations. The Mayor had also announced that he would remove the portrait of the Queen, but the portrait still remains of the person to whom the Mayor and Singapore's 325,000 new citizens have over the past months taken oaths of allegiance.

Mr. Ong Eng Guan sees his role as a combination of Mayor and Leader of the Council, and says he does not intend to be a purely ceremonial Mayor in which category he appears to view the Lord Mayor of London with whom he compares himself. In fact he seeks to revert to the old form of Council and take over the powers of the former Presidents of the Council who, as administrative officers, presided over the Council and, at one time, over all its committees as well as acting as Chief Administrative Officer. He is also asking for a salary of \$7,000 a month, which he calculates as the salary, allowances and value of services available to the former Presidents. He will however donate \$5,000 to a Mayor's Charity Fund, and \$500 to Party funds. This however is meeting strong opposition in the Council and has not yet been approved. Certain appointments he has made have been challenged, and the City Council Federation of Labourers' Unions have strongly criticised the PAP handling of redundancy of labour in the

(Continued on Page 384)

## BRITISH ENGINEERING IN MALAYA

In many countries throughout the world people today are asking: What is the role of the British now that Malaya is independent. It was sober realism that made Britain decide to offer Malaya independence as soon as elections had thrown up a responsible, majority party. And in the wake of this has come a sharp realisation of what Britain has done to develop the country. It is reflected in the need now expressed for more British engineers. Malaya has recently advertised in London for 30 British engineers who are wanted to replace engineers who are leaving under the Malayanisation scheme which will result in the departure of many of the long-established men.

As a new country Malaya is determined to make sure that its independence will be truly separate and distinct from what has gone before. The former Government Officers, who have served the Government well, are to be replaced by men who have had no connection with the country in the pre-independence days. It is an inevitable process. Rightly or wrongly, that is the way the country wants it. Yet Malaya, whatever the nationalist feelings that the arrival of independence has aroused, and these are not obtrusive, is determined to have British engineers as replacements. To date no consideration has been given to recruiting from other countries and until it is definitely known that Britain cannot supply the men needed Malaya does not plan to look elsewhere.

The fact is that British engineers have served this country well. In a little over 80 years the British administration provided this formerly primitive country with excellent roads, a fine railway system, hospitals, scientific institutions and schools. But of all that was done during these years the most lasting impressions were created by

the engineering works. The roads which cut through the gaps in the hill ranges or span ravines have opened up the country to new development and thousands living in villages throughout Malaya have suddenly found that the town is no longer a distant place but almost their next door neighbour.

Malayans in general have a high regard for the scientific wizardry of the technical experts. It has been well justified by all that modern mechanical knowledge has been able to do for this country which today enjoys one of the highest living standards in South East Asia. It is a standard that Malayans want to keep. They have seen what can be done and there is no doubt at all that, despite the enhanced programme of training overseas, there will not be the experienced Malayan engineers available for many years to come to carry out the programme that is planned. Much of the work of the British engineers is still there for all to see with the shine of newness still on it. One symbol of this is the Merdeka Stadium in which the proclamation of independence was signed. This was, all agree, an outstanding example of engineering. It is not a large stadium, its seating capacity is only about 25,000, it was however rushed up in 330 days. When the engineers and architects started it was no more than a vague idea, but once the Cabinet had approved, drawings were rushed through for the initial stages. The final drawings were not completed on this rush job until two months before the opening date when the stadium was rapidly nearing completion. Often the construction engineers were only a few days behind the detailed preparation of drawings for the next section.

Despite these difficulties, the British engineers constructed a stadium of unusual and daring design. Fully



floodlit at night, the lighting comes from four towers each 114 feet high which stand at the corners of the arena. There was neither the time nor the facilities for constructing elaborate machinery for the towers and they were eventually made out of ordinary reinforced concrete sewerage pipes, literally piled one on top of the other and held together by 72 steel wires strung through the segments and then stretched by jacks and pinioned so that they exerted compression on the towers equivalent to 250 tons.

The rush to complete the project in time for the independence celebrations was such that there was no time to construct models of the towers and test them to destruction. The testing had to be carried out with completed towers, while they were being erected. As the towers, constructed on the ground, were hoisted upright, the engineers suspended them from the centre and then measured the amount of sag. The measurements bore out their calculations that the towers when erected would be able to withstand gale force winds of 90 miles an hour. To an observer, however, one of the fascinating features about these tall, clean towers is that even in a normal wind they sway, as they were designed to do. Standing on top of them is a little like being in a ship in a small swell. It is believed that they are the only towers of their kind in the world.

## HONGKONG NOTES AND REPORTS

**Jardine Matheson & Co.**—Hongkong's oldest merchant firm, Jardine Matheson & Company, Ltd. last week moved into the new Jardine House. At an "open house" in the new offices, Mr. John Keswick was present with the Managing Director Mr. H. Barton and Mr. D. C. Geddes to receive friends of the Company. The occasion also marked the adoption in Hongkong of the Chinese name 怡和 by which the Company has always been known throughout China since 1832. These characters (pronounced "E-Wo") mean "Happy Harmony". In Hongkong, the firm has for many years been known to the Chinese as "Jardine," and by the Chinese characters which are its phonetic equivalent but meaningless.

Jardine, Matheson and Co. Ltd. is the only original British firm still trading in Hongkong under the same name. When Hongkong became a British Colony in 1841, Jardine was among the British merchant firms from Canton who were the first settlers. In the course of Hongkong's history, the activities of Jardine have ranged far and wide. From the earliest days Jardine owned and operated vessels between Calcutta and Macao, and afterwards to Hongkong. The "Jardine" was the first steamship in the Far East and operated on the Canton River in 1836. In 1881 the Indo-China Steam Navigation Co. Ltd. was formed under Jardine's management in London, and Jardine's ships were among those taken over by the new Company. To-day the Indo-China Company has a Fleet of 16 ships with a total tonnage of 92,000 deadweight.

In real estate development, the Company was associated with Sir Paul Chater in the formation, in 1889, of the Hongkong Land Investment and Agency Co., Ltd., and Jardine House is the latest of the many buildings this Company has provided in the heart of Hongkong. In 1899 Jardine sold the site, on which the present Jardine House stands, to Land Investment Co., and it was repurchased from Land Investment in 1901. In 1955 Jardine again sold this site to Land Investment who has put up on it their first all-airconditioned building. Jardine, Matheson & Co. now occupies the first seven floors of this 15-storey structure.

Another feature of the stadium is the outside canopies of cantilever construction which stretch out like bird's wings over the stadium seats. Nearly 400 feet long, they extend 60 feet each way and are in effect almost balanced on their pillars. At the rear of the stadium, tie rods, each under 10 tons of tension, hold the canopy steady. In tests 16 tons was heaped at the extreme edge of the centre section of the canopy and it gave no more than six inches, better than the engineers had expected. But the stadium is a showpiece and the British engineers who have helped to build the Malaya of today can point to more practical achievements. One of them is the Maran Road, 29 miles of beautifully banked and curved road in Pahang which slices through the jungle to reduce the distance of the main east-west arterial road. Built to 50-miles-an-hour standards it is still being metalled for the road was urgently needed and was rushed through to help develop the East Coast states.

Apart from supplying engineers, Britain is also making a worthwhile contribution in training scores of Malaysians who will one day have the responsibility of maintaining the heritage of excellent roads, water supplies, bridges and other works. In time Malaysians will be fully responsible for all the engineering work done in the country but until then Britain, maintaining an interest in Malaya started more than 80 years ago, will be available to help.

Jardine's association with Hongkong Tramways Ltd. goes back to 1884 when the Hon. William Keswick was Chairman of a Provisional Committee set up to organise the Hongkong and China Tramways Co. Ltd. Association with the Hongkong & Kowloon Wharf & Godown Company dates back to 1886. In that year the Godown Company took over a number of wharves in the Colony including those belonging to Jardine. In 1898 the Star Ferry Co., Ltd. was started by members of the Wharf Co. Board. In 1867, Mr. James Whittall, of Jardine, was one of the three original founders of the Hongkong & Whampoa Dock Co. The Company was a pioneer in many local industries. In 1878 the China Sugar Refining Company was formed and operated successfully for a number of years. This was followed by the Jardine Spinning and Weaving Company Ltd. the first textile industry in Hongkong which operated from 1897 to 1913, at which time it was decided to remove the Mill to Shanghai. For a long period of years Jardine was financially interested and acted as General Managers of the Hongkong Ice Company which in 1914 was amalgamated with the ice-making business of the Oriental Brewery. Subsequently this business was absorbed by the Dairy Farm.

In 1836 Jardine founded the Canton Insurance Office which became a limited liability company in 1881, and in 1953 became known as the Lombard Insurance Company. In 1873 the Hongkong Fire Insurance Co. Ltd. was formed. To-day the Hongkong Fire is a subsidiary of the Lombard Insurance Company. From 1877 onwards Jardine has been represented on the Board in Hongkong and on the London Committee of the Hongkong and Shanghai Banking Corporation. Three of the firm's taipans have served as Chairmen of the Bank.

In early post-war years, Jardine actively engaged in rehabilitating China business. In Hongkong the Company played a prominent part in the development of all aspects of Hongkong's aviation. To-day Jardine Airways Department acts as General Agents for B.O.A.C. and Qantas. Jardine, Matheson & Co. Ltd. and B.O.A.C. are joint partners in one of the two local airlines—Hongkong Airways—

which was the first airline to introduce the British Viscount to the Far East. In association with other local interests Jardine set up an Aircraft Maintenance Company in Hongkong. In 1960, Jardine Aircraft Maintenance Company amalgamated with the Pacific Air Maintenance & Supply Company operated by Butterfield & Swire, to form the Hongkong Aircraft Engineering Company Ltd.

Jardine recently completed plans for the erection of an up-to-date dyeing and finishing factory in the Slatin area. This plant is expected to be in operation early in 1959 and should prove a valuable addition to Hongkong's textile industry by extending and improving the types of finish available to local weavers.

**American Investment**—An American company—Winchester Limited—plans to make Hongkong a production and distribution centre of torches and batteries. Winchester rifle brand torches and batteries made in Hongkong by the proposed factory will be identical in appearance and quality with those made by Winchester in the United States which are being marketed in Europe, Australia, New Zealand, South Africa, SE Asia, Pakistan and the Middle East. Two years ago a large local torch factory was taken over by an American investor and since then this factory has been very successfully managed and its exports have been steadily increasing. Locally manufactured torches and batteries are now up to American standards and with the addition of this new American factory, HK's exports of torches and batteries will be further stimulated.

**Central District Development**—The foundation stone of the new 17-storey Takshing House at 20 Des Voeux Road was laid last week. The building will be ready for occupation early next year. A unique feature of the new building will be the aluminum wall in front. The ground and first floors are reserved for Whiteaway, Laidlaw and Company and the rest of the building will provide more than 90,000 square feet of office space. On Queen's Road, the Shell House will be demolished in May to make room for an 18-storey office block. Construction will take about 16 months to complete. The Shell Company will move to the Central House in May and return to the present address after the completion of the new building. Shell House redevelopment is financed by a Chinese concern. After much delay, subterranean foundations of the 34-storey Fu Centre will be commenced by a Japanese company who will use a silent and vibration-free technique. The Japanese method is to dig a hole and line it with steel and concrete instead of driving piles into the ground.

**Public Works Projects**—Government earmarked \$183 million for 141 projects planned for the next twelve months. The largest allocation is \$37.8 million for Tai Lam Chung Scheme and other water-supply projects including funds for the investigation of a new reservoir site on Lantau island. The Financial Secretary, Mr. Clarke, presented the Colony's water-supply situation as follows:

"Only a couple of months ago we had to cut our tap supply back to eight hours a day in order to restrict consumption to 42 million gallons daily. The Tai Lam Chung reservoir is complete but work will go on for two or three more years on the construction of catchwaters, pipelines and so on to enable full use to be made of it. We hope to know within about six weeks whether the new Shek Pik reservoir on Lantau is a practical proposition. However, it is now clear that Tai Lam Chung and Shek Pik together will still leave us desperately short of water and it must be remembered that the Shek Pik scheme will take a long time to complete. The demand for water is increasing at a far greater rate than we ever expected, greater than we can at present tap new supplies. Within three years we shall probably be back, in the dry season, to a five-hour

daily supply or less. We are now, even before we know whether Shek Pik reservoir will be practicable, looking out for more sources of water. It will cost us a great deal to keep up with the situation but it would be shortsighted to deny money for any scheme that will help."

The next big item is \$35.3 million for Airport. The new airport is well on the way to completion and by September the runway will be ready for use in day time. This project is going to cost \$110 million by the time it is finished. The figure however does not include the cost of the terminal building.

A sum of \$22.1 million will be spent on the construction of resettlement buildings; ten resettlement estates are now under construction. The total estimated cost of resettlement housing on sites in Tai Wan Hill, Lo Fu Ngam, Jordan Valley, Shek Kip Mei (stage 3) and in Wong Tai Sin (stage 1A and B) amounts to \$47½ million. The budget for other building constructions includes \$8.6 m. for schools; \$14.3 m. for hospitals and clinics; \$17 m. for government offices and quarters; \$6 m. for police stations and headquarters; and \$2.5 m. for other public buildings.

**Government Employees**—Government will employ 4,347 persons more in 1958/59 than in 1957/58. The increase will bring the number of persons on the Government payroll to 40,418. This figure includes daily-rated staff but excludes supernumerary posts. Main increases will be under Education Department, 813; Fire Brigade, 157; Medical Department, 374; Police Force, 778; Public Works Department, 497; Resettlement Department, 245; and Urban Services and Urban Council 961. The estimated personal emoluments bill totals \$222.4 m for 1958/59 against the estimate of \$189.3 m for 1957/58. The increase in the number of government employees is inevitable on account of the swollen population.

HONGKONG SHIPPING IN DECEMBER					Vessel		Cargo	
Flag	No.	Arrived	Departed	Tonnage	Discharged	Loaded	(Ton)	(Ton)
British	297	504,863	469,946	129,550	43,205			
American	19	104,721	104,721	10,181	5,434			
Cambodian	1	557		1,128				
Chinese	22	10,016	11,060	11,484	4,163			
Danish	22	61,426	58,846	9,002	9,232			
Dutch	22	87,682	86,126	9,663	9,329			
French	7	29,944	29,944	9,661	2,310			
German	8	38,690	38,690	5,191	3,558			
Greek	2	8,770	2,749	81	50			
Indian	1	2,749	8,770	900	50			
Italian	2	9,717	866	154				
Japanese	48	166,944	154,354	20,952	25,955			
Korean	6	7,908	3,144	3,288				
Liberian	3	6,368	1,084	790				
Norwegian	47	131,123	119,576	65,545	19,675			
Panamanian	15	18,105	22,300	11,736	10,555			
Swedish	8	28,174	28,174	10,118	2,516			
Yugoslav	3	6,835	311	1,345				
Total	532	1,214,592	1,166,566	300,577	141,619			



**HONGKONG AIR TRAFFIC IN DECEMBER**

Regions	Departure			Arrival		
	Passenger	Freight (Kilos)	Mail (Kilos)	Passenger	Freight (Kilos)	Mail (Kilos)
Australia .....	158	7,277	984	183	2,217	707
Thailand .....	1,512	21,052	928	1,463	6,940	2,971
Borneo .....	84	3,146	216	114	153	—
Burma .....	346	12,764	952	179	1198	372
Cambodia .....	402	2,732	210	291	184	720
Canada .....	160	831	807	64	220	397
Europe .....	142	11,412	2,427	119	9,442	2,836
Taiwan .....	830	38,943	2,226	811	3,380	2,691
Guam .....	—	3,401	40	5	139	45
Honolulu .....	146	201	195	46	709	775
India .....	303	9,287	520	309	4,274	1928
Indonesia .....	—	—	569	—	—	—
Japan .....	1,959	10,830	4,442	1,753	18,626	10,322
Laos .....	199	45,079	106	119	518	33
Macao .....	—	5,052	—	1	—	—
Malaya .....	56	114	460	64	5	—
Middle East .....	85	767	405	62	208	211
New Zealand .....	—	—	223	—	—	—
Okinawa .....	102	6,316	94	86	632	68
Pakistan .....	32	1,902	356	59	117	227
Philippines .....	2,556	23,776	1,300	2,486	2,187	1,737
Singapore .....	654	15,083	1,664	670	7,399	6,398
South America .....	81	1,324	11	4	16	19
South Korea .....	142	3,289	445	263	572	732
United Kingdom .....	175	10,510	3,628	260	11,737	3,954
United States .....	117	5,554	5,432	73	2,235	3,846
Vietnam .....	353	7,378	443	422	4,475	696
Wake Island .....	—	309	—	—	9	—
Africa .....	—	—	931	—	—	122
Ceylon .....	—	—	185	—	—	12
<b>Total</b> .....	<b>10,594</b>	<b>248,329</b>	<b>30,199</b>	<b>9,906</b>	<b>77,592</b>	<b>41,819</b>
<b>Direct Transit</b> .....	<b>951</b>	<b>28,919</b>	<b>—</b>	<b>951</b>	<b>28,919</b>	<b>—</b>
<b>Total Aircraft Departures = 380</b>						<b>Total Aircraft Arrivals = 383.</b>

# **FINANCE & COMMERCE**

## **THE BANK OF EAST ASIA LTD., HONGKONG**

The Thirty-Ninth Ordinary Yearly General Meeting of The Bank of East Asia, Ltd. was held here on Wednesday, 12th March 1958. Sir Shouson Chow, Kt., LL.D. (Chairman of the Board of Directors) was unable to attend the meeting owing to his illness. Mr. Kan Tong Po (Chief Manager) presiding, said:—

"The Balance Sheet and Accounts of the Bank for the year ended 31st December, 1957, together with the Directors' & Auditors' Reports are before you, and with your permission I propose to take them as read. It is with pleasure that I report the results of another successful year of trading by your bank. We continue to make progress in the expansion of our domestic and foreign business. The Net Profit for the year, together with the balance brought forward from the previous year, available for appropriation amounts to \$5,034,664 as compared with \$4,940,034 for the previous year. Our balance sheet figures have increased from last year's total of \$138,362,232 to \$139,006,305. In line with our policy of maintaining liquidity, we have kept our liquid resources at a high level throughout the year.

"In order to further strengthen our Bank's reserves, your Board recommend transferring the sum of \$2,000,000 from the Profit & Loss Appropriation Account, bringing up the reserve fund to \$15,500,000.

"I now propose that the Report of Directors and Accounts as presented be adopted, and the total balance of \$5,034,664 available for distribution be dealt with as follows:—

Dividend and Bonus of \$12 per share on 100,000 shares .....	\$1,200,000
Transfer to Reserve .....	2,000,000
Reserve for Corporation Profits Tax .....	200,000
Transfer to Staff Pension Fund .....	250,000
Carry Forward to the Year 1958 .....	1,384,664
	<b>\$5,034,664</b>

"In conclusion, I would like to express our sincere appreciation to all members of our staff for their devoted service throughout the year. Our accomplishment could not have been possible without their keenness and co-operation."

The Report and Statement of Accounts were unanimously adopted. Messrs. Li Lan Sang, Fung Ping Fan and Y. K. Kan were re-elected Ordinary Directors for the year 1958. Messrs. Peat, Marwick, Mitchell & Co. were re-appointed as Auditors for 1958 at a fee of \$15,000.

THE BANK OF EAST ASIA, LIMITED

BALANCE SHEET AT 31st DECEMBER, 1957

LIABILITIES		ASSETS	
		Hongkong Currency	Hongkong Currency
CAPITAL AUTHORIZED			
500,000 Ordinary Shares of HK\$100 each	HK\$50,000,000.00		\$ 59,961,007.56
CAPITAL ISSUED			
100,000 Ordinary Shares of HK\$100 each, fully paid		\$ 10,000,000.00	14,000,000.00
RESERVE		15,500,000.00	
PROFIT AND LOSS APPROPRIATION ACCOUNT		1,384,664.15	
		\$ 26,884,664.15	
CURRENT, DEPOSIT AND OTHER ACCOUNTS			
Including reserves and provisions for taxation and contingencies		104,724,640.83	\$4,729,589.90
PROPOSED DIVIDEND AND BONUS			1,929,209.48
In respect of the year ended 31st December, 1957			3,928,186.10
FOREIGN CREDITS, ACCEPTANCES AND GUARANTEES ON ACCOUNT OF CUSTOMERS		1,200,000.00	10,586,985.48
		6,197,000.34	14,018,425.43
			31,812,886.51
			\$130,379,304.98
Notes:—			
(1) The Assets and Liabilities of the Branches in China have been incorporated in the above accounts at nominal values.			\$2,300,000.00
(2) There are commitments in respect of outstanding Forward Exchange Contracts.			120,000.00
(3) Foreign Currency Balances have been converted at approximately the rates ruling at 31st December, 1957.			10,000.00
			2,430,000.00
			6,197,000.34
			\$139,006,305.32

SHOUSON CHOW }  
WONG YUN TONG } Directors.  
LI LAN SANG }

KAN TONG PO, Chief Manager.  
LI TUNG, Chief Accountant.

REPORT OF THE AUDITORS TO THE MEMBERS OF THE BANK OF EAST ASIA, LIMITED

We have examined the above Balance Sheet with the books and securities of the Bank in Hongkong and with the accounts of the Branches which have been signed by the Branch Managers and have obtained all the information and explanations we have required. In our opinion the Balance Sheet, with the notes thereon, is properly drawn up so as to exhibit a true and correct view of the state of the Bank's affairs at 31st December, 1957, according to the best of our information and the explanations given to us and as shown by the books of the Bank in Hongkong and the Returns from Branches.

FEAT, MARWICK, MITCHELL & CO.  
Chartered Accountants,  
Auditors.



## HK EXCHANGE MARKETS

There is too much concern about a local business slump following the current recession in the US and elsewhere. Our economic climate is not much affected by the storms blowing over North America and Western Europe. We are doing well enough in the traditional entrepot business and while that won't last for ever, for the present it suffices. To look very far in the future is never the virtue of Hongkong's business community; we are governed by different laws being a very unusual and almost undefinable 'territory'.

Exchange and gold dealers have confidence that they will do as well this year as in 1957—which was good by all previous standards. Turnover in open market exchange will probably even rise as many overseas interests, far and near, have discovered Hongkong as one of the easiest and simplest exchange centres in the world. Gold will be bought by our traditional customers though perhaps due to lower purchasing power generally in Asia the volume might eventually be affected. Unrecorded trade, one of the important items under the nice category of 'invisibles', is bound to rise as restrictions and import embargoes are now more frequently resorted to in Far Eastern countries. China will utilise Hongkong to a greater extent than in the past few years as Peking's export drive is finding obstacles in many countries while through the medium of Hongkong's business men such exports can be easier channelled to consumers. The overseas Chinese in East and Southeast Asia,

and further afield, are of major importance both to Hongkong's entrepot trade and manufacturing industries as well as to People's China. Hongkong is, and will remain, the centre of overseas Chinese activities in their variegated forms and unorthodox methods.

Real estate, prices of which have unreasonably skyrocketed, will be a scene of much lamentation; a downward trend has been already noted and quite a few operators in this highly speculative market have cleared out or are about to do so. Construction by private developers will drop but Government and societies' as well as corporations' building will continue with the usual vigour.

In US\$ the market is still expanding as far as volume of transactions is concerned. The turnover, spot and forward, last week was US\$6.4 million and that does not include the considerable transactions which do not reach the Gold & Silver Exchange Society and its members but which are conducted through other free market operators.

Disturbed conditions in Far Eastern countries, while often harming our business interests, also bring about enhanced opportunities of a new though more risky type. Cargo movement these days in the Indonesian archipelago and between it and its neighbours is profitable but involves a considerable element of risk. This is being taken with the usual 'resilience' of which our merchants have heard a lot. The rupiah currency is a 'hot' thing to touch these days but by handling transfers adroitly, considerable profits can be made. The civil war in Indonesia is certain to make a few lucky financial operators and their agents much richer than they were before Sukarno started on his ill-starred campaign.

Yen is being actively traded here and this sort of business has met with belated censure on the part of Japanese authorities. The supply of yen is largely due to Japanese merchants' activities; importers in Japan, who for various reasons prefer to obtain goods from here without Japanese customs' cognisance, pay for merchandise, and periodically also for bullion, in yen—a most acceptable currency the world over. Demand for yen however is slightly less than supply and consequently the free market rate shows a discount of yen against the official parity. That in no way reflects badly on the intrinsic value of yen which currency is safe and sound, backed as it is by the great and ever growing production power of the Japanese nation. The lower yen rate here, and also in New York's free market, has enabled many tourists to stay a longer period in Japan; the current difference between free and official yen rate is a little over 10%.

The Philippine peso, due to an improvement in the trade picture and the first beneficial effects of the austerity policy of the Philippine government, has shown resistance to further de-

terioration and remains, at quoted prices, firm. If 'professional tourists' from Manila are again trooping in here—which is to be expected during and as from 'Holy Week'—the peso rate will show weakness. However a return of confidence in the peso is due because, after all is said and done, the US still stands behind the present Philippine administration and will, if only the Filipinos show some better sense and genuine patriotic spirit, bolster the impoverished exchange resources of Manila. What is to be done would seem to be so simple: to balance foreign trade account and to curb illicit trading and capital export. But competency and integrity are not the strong points of Manila's politicians who are responsible for the unfortunate state of affairs into which, quite unnecessarily, the Philippines has slithered. It will squirm out alright; the country is basically sound and rich, and its resources are adequate to provide for easily twice the present population of some 22 million.

\* \* \* \*  
10th to 15th March, 1958

### U.S.\$

March	T.T. High	T.T. Low	Notes	
			High	Low
10	\$583½	583½	582½	581½
11	583½	583½	582	581½
12	584	583½	582½	581½
13	584	583½	582½	581½
14	584½	584	582½	582½
15	584½	583½	582½	581½

D.D. rates: High 583½ Low 582.

Trading totals: T.T. US\$3,930,000; Notes cash US\$475,000, forward US\$1,590,000; D.D. US\$310,000. The market was very quiet. In the T.T. sector, gold and general importers, and switch exchange operators bought. In the Notes market, agents of Communist China turned sellers and delivered cash. Shippers began to operate with some small profit while speculators were idle. Interest for change over favoured sellers and aggregated HK\$4.40 per US\$1,000. Positions taken by speculators averaged US\$1½ million per day. In the D.D. sector, market was quiet.

**Far Eastern Exchange:** Highest and lowest rates per foreign currency unit in HK\$: Philippines 1.7625—1.755, Japan 0.0142—0.014125, Malaya 1.873, Vietnam 0.06802—0.06621, Laos 0.059, Cambodia 0.082, Thailand 0.2739, Indonesia 0.104—0.102, India 1.10—1.09. Sales: Pesos 280,000, Yen 80 million, Malayan \$290,000, Piastre 7 million, Kip 4 million, Rial 4 million, Baht 3 million, Rupiah 150,000, Indian Rupees 100,000.

**Chinese Exchange:** People's Yuan notes quoted \$1.585—1.51 per Yuan. Taiwan Dollar notes quoted \$0.148—0.147 per Dollar, and remittances at 0.1425—0.14.

**Bank Notes:** Highest and lowest rates per foreign currency unit in HK\$: England 16.10, Australia 12.50

## HK SHARE MARKET

The market was sluggish last week. Buying offers were not keen and prices drifted lower. Many speculators sold out their holdings after they had drawn out the dividends. Drops however were only fractional because selling pressure was not serious and most prices were already at a very low level. Wheellocks, Lands, Hotels, Stores, Rubbers and Utilities accounted for the bulk of the business which amounted to \$729,000 on Monday, \$267,000 on Tuesday, \$327,000 on Wednesday, \$491,000 on Thursday, and \$513,000 on Friday.

Hotels lost another 20 cents last week (30 cents in the preceding week). Most brokers believe that this share will steadily improve as soon as the profit-taking rush is over. The Company's earnings this year should be better than in 1957; charges for hotel rooms have been increased by about 20 per cent.

Wharves were quiet during the week with sellers wanting \$122 and buyers assuming a wait-and-see attitude. The undertone was firm because the \$9 dividend for 1957 represents a 50 per cent increase over that for the preceding year.

Telephones closed 80 cents lower than the previous week. The price at

present is very low in view of the Company's expansion programs which indicate better earnings this year. Rates for other Utilities are also out of perspective with the increasing volume of business these companies are enjoying. The ever growing local population will enable all utility companies to earn more money this year than last.

**Dividends**—The Hongkong and Kowloon Wharf and Godown Company will pay a dividend of \$9 per share in respect of the year 1957. The Rubber Trust Limited's dividend for the financial year ended September 30 1957 is 12 cents per share.

## TRADE REPORTS

Trading in local commodity markets last fortnight was more active than during the second half of February. The volume however was still low. Demand from Japan and Europe for produce improved but limited supply restricted transactions. Korea, Taiwan, SE Asia were interested in paper, metals, chemicals, pharmaceuticals but interest was centred on a small number of items and quantities involved were moderate.

**HK/China Trade**—Demand from China for steel plate and a few other items of metals remained keen but counteroffers from Canton and Shanghai were too low in most cases while prices in the local market firmed. Imports of foodstuffs from China continued heavy. Canton also sent here tea, beans, salt, rosin, garlic, cotton blankets, electric fans, window glass, condensed milk, round bars and coal. With the exception of coal shipments, which amounted to about 5,000 tons, other consignments were limited to small quantities.

Authorities in Canton are inviting local businessmen to attend the Export Products Exhibition which will be held there in mid-April.

**HK/Japan Trade**—Japan's purchase of produce from here improved but the demand was still selective. Purchase of scrap metals was limited to a few hundred tons. Consequently, exports totalled only about 2,000 tons. On the other hand, imports amounted to 12,000 tons; principal items included cement, bean oil, paper, glass, fruits, china, cotton textiles, blankets, radio receiving sets, rayon products, wheat flour, canned food and sundries. Japanese wheat flour is underselling US, Canadian and Australian products in the local market. Japanese firms in HK are also accepting orders from local dealers for steel products without demanding deposits. At present, there are 30 representatives or branches of Japanese firms in HK all trading in similar commodities.

**HK/UK Trade**—UK continued to buy large quantities of grey sheeting, rubber shoes and other HK manufactures from here. Purchase of produce was limited to a few items only. Total exports amounting to 8,000 tons were lower in quantity and much less in value than

Share	Mar. 7	Last Week's Rate		Closing	Up & Down	Dividend	Estimated Annual Yield (%)
		Highest	Lowest				
HK Bank	810	810 s	805	810 s	steady	\$50	6.17
Union Ins	70	71	70.50	71 b	+\$1	\$3.40	4.79
Lombard	33.25 n	—	—	33.25 n	quiet	\$2	6.02
Wheelock	6.25 s	6.20	6	6	—25c	72c	12.50
HK Wharf	122 s	122 s	121 n	122 s	steady	\$9	7.38
HK Dock	54.50	55 s	53	53	—\$1.50	\$2	3.77
Provident	12.30	12.20	12	12	—30c	\$1	8.33
HK Land	33 s	XD 32.50	XD 32	XD 32	+20c	\$2.40	7.50
Realty	1.35 b	1.375	1.35	1.35	steady	15c	11.11
Hotel	16 s	16	15.80	15.80	—20c	\$1.50	9.49
Trams	23.20 s	23.10 s	22.50 b	22.90 s	—30c	\$1.90	8.30
Star Ferry	117	118 s	114 b	115	—\$2	\$9	7.83
Yaumati	98	98.50	96.50 b	98.50 s	steady	\$7.50	7.61
Light	17.40	17.40	17.10	17.20	—20c	\$1.10	6.40
Electric	26.40	26.30	25.80	25.80	—60c	\$1.90	7.36
Telephone	25.60 b	25.40	24.80	24.80	—80c	\$1.50	6.05
Cement	21.60 n	21.50 n	21.10	21.50 s	—10c	\$3	13.95
Dairy Farm	17	17	16.60	16.70	—30c	\$1.63	9.76
Watson	11.90 s	11.90 s	11.50 b	11.60	—30c	\$1	8.62
Yangtze	5.50 s	5.50 s	5.45 s	5.45 s	—6c	65c	11.93
Allied Inv	3.675 s	3.675 n	3.65 n	3.65 n	steady	25c	6.85
HK & FE Inv	9.80 b	10.10	9.80 b	10 n	+20c	80c	8.00
Amal Rubber	1.25	1.275 s	1.25 b	1.25	steady	20c	16.00
Textile	4.65	4.70 s	4.60 b	4.65 s	steady	50c	10.75
Nanyang	9.15	9.25 s	9.05 b	9.15 n	steady	\$1	10.93

—12.46, New Zealand 14.28—14.26, Egypt 10.00, East Africa 14.80, South Africa 15.67—15.65, West Africa 13.00, Jamaica 13.50, Gibraltar 13.50, Malta 12.50, Cyprus 12.50, Fiji 10.00, India 1.1765, Pakistan 0.80—0.795, Ceylon 0.935, Burma 0.53, Malaya 1.85—1.834, Canada 5.9325—5.91, Cuba 5.00, Argentina 0.125, Brazil 0.052, Peru 0.26, Mexico 0.40, Philippines 1.825—1.8125, Switzerland 1.35, West Germany 1.35, Italy 0.009, Belgium 0.106, Sweden 1.02, Norway 0.72, Denmark 0.77, Netherlands 1.45, France 0.0124—0.0123, Vietnam 0.072—0.069, Laos 0.0595—0.059, Cambodia 0.0825—0.081, New Guinea 1.00, Indonesia 0.111—0.105, Thailand 0.2685—0.2635, Macao 1.005, Japan 0.01475—0.01455.

### Gold Market

March	High .945	Low .945	Macao .99
10	255½	255	265½ High
11	255½	255	
12	255½	254½	Low 264½
13	255½	254½	
14	255½	255	
15	255	254½	

The opening and closing prices were both at \$255, and the highest and lowest 255½ and 254½. The market

continued very quiet. Interest favoured sellers and aggregated \$1.45 per 10 taels of .945 fine. Tradings averaged 4,900 taels per day and amounted to 29,400 taels for the week, in which 11,970 taels were cash dealings (970 taels listed officially and 11,000 taels arranged privately). Positions taken by speculators averaged 7,500 taels per day. Imports were all from Macao and totalled 10,500 taels. One shipment of 48,000 fine ounces arrived Macao in the week. Exports amounted to 9,000 taels (5,500 to Singapore, 2,000 to Rangoon, and 1,500 to Vietnam). Differences paid for local and Macao .99 fine were \$12.40—12.00 and 11.80—11.50 respectively per tael of .945 fine. Cross rates were US\$37.86—37.85 per fine ounce, and contracts of a total of 36,800 fine ounces were concluded at 37.85 C.I.F. Macao. US double eagle old and new coins quoted \$263 and 230 respectively per coin, English Sovereigns \$59 per coin, and Mexican gold coins \$275 per coin.

**Silver Market:** 800 taels of Bar silver were traded at \$5.60 per tael and 500 dollar coins at \$3.60 per coin. Twenty-cent silver coins quoted at \$2.78 per five coins.



15,000 tons of imports which arrived during the same period; principal imports included metals, automobiles, chemicals, provisions, frozen food, cigarettes, piecegoods and pharmaceuticals.

**HK/Europe Trade**—Europe bought more vegetable oils and animal by-products from here but the volume was restricted by short supply. Exports of HK products and China produce totalled 5,000 tons. Demand from Europe, particularly from West Germany, for grey sheeting and other HK products showed slight but encouraging improvement. On the other hand, import restrictions in France may affect shipments of HK manufactured leather goods, knitwear, clothing, cigarette lighters, made-up goods of woven fabrics, and cotton textiles to that market. Imports from Europe totalling 9,000 tons consisted chiefly of paper, metals, dairy products, chemicals, textiles, automobiles and provisions from Sweden, Belgium, Holland, West Germany and Italy.

**HK/US Trade**—Cargo movements between HK and US slowed down; imports only about 3,000 tons and exports, 1,000 tons. Petro products, provisions, blackplate, air conditioning units, automobiles, wheat flour, fruits, cotton and old newspaper were principal imports while HK manufactures constituted the major portion of the export tonnage.

**HK/Thailand Trade**—Exports totalled 7,000 tons; principal items were garlic, metals, paper, chemicals, pharmaceuticals, knitwear, enamelware, torch, vacuum flask and other HK manufactures. Demand from Bangkok remained steady although most purchases from here were limited to small lots. Imports of rice from Bangkok remained heavy.

**HK/Indonesia Trade**—Fighting between the Central Government and Revolutionary forces in Indonesia had not completely disrupted cargo movements between HK and Djakarta but the volume dwindled. Consequently, orders from Djakarta covered only insignificant quantities of rosin, garlic, paper, chemicals and some HK products in spite of the approaching Puasa Festival (March 23). The ever increasing premium on exchange certificates further discouraged Indonesian importers from purchasing supplies from various sources.

**HK/Malaya Trade**—Shipments of industrial supplies, provisions, vegetables, fruits, luxuries and HK products to Singapore and Malaya remained heavy because the flow of these items from Malayan ports to Indonesian markets continued active although the volume was reduced on account of the strict preventive measures maintained by Djakarta.

Export of locally-distilled Chinese-type wine to Singapore however was handicapped by the M\$27 per gallon import duty recently imposed by authorities there.

**HK/Philippines Trade**—Demand from Manila improved slightly. Orders reached here covered small quantities of beans, pharmaceuticals, cigarette paper and HK products; exports totalled 1,000 tons. In imports, the first 1958 shipment of mangoes reached here early in the month.

**HK/Korea Trade**—Seoul's purchases of paper, metals, chemicals, pharmaceuticals, wheat flour and other essential supplies from here were still limited to small quantities partly on account of the lack of sufficient foreign exchange there but chiefly due to the government policy of obtaining supplies direct from US and Japan whenever possible. In the case of paper, transactions were also restricted by the limited supply of European paper in the local market.

**HK/Taiwan Trade**—In addition to large consignments of sugar, Taiwan shipped here small lots of cement, starch, plywood, tea, feather, ginger, camphor wood and onion. Local metal dealers also booked some mild steel round bars from Taiwan. Exports of paper, chemicals, pharmaceuticals and other essentials to Taiwan remained on a weekly average of about 200 tons.

**HK/Cambodia Trade**—Trade with Cambodia improved to 1,200 tons each way. Imports of rice, beans, sesame, maize and other staples were stimulated by better demand in the local market. Orders from Phnompenh covered chiefly metals, chemicals,

pharmaceuticals, fertilizers and HK manufactured goods; quantities however were still moderate.

**HK/Laos Trade**—There were more orders from Vientiane for cotton textiles, metals, paper and consumer goods than during the previous fortnight; the volume of these purchases nevertheless was still small.

**HK/Vietnam Trade**—Saigon earmarked US\$11 million from Aid Funds for imports of various essential supplies and equipment including machinery, metal, paper, cotton textiles, scientific instruments, leather, fertilizer, cement and gravel; enquiries reached here covered metals and paper. Trade with Haiphong was quiet.

**HK/Burma Trade**—There were more enquiries than orders from Rangoon for foodstuffs, torch, camphor products, groundnut oil and other consumer goods. Authorities there issued only a small number of import licenses possibly due to the limited supply of foreign exchange there. Imports of beans, timber and other staples improved to about 1,000 tons.

**HK/Ceylon Trade**—About 1,000 tons of garlic, cotton textiles, torch and battery, rayon products, plastics, hurricane lanterns, enamelware, camphor products and provisions were shipped to Colombo. Imports were quiet. Beginning April 1st, Colombo will collect duties on tea exports at four Ceylonese cents per pound.

**HK/Australia Trade**—Imports of frozen meat, wheat and flour, hide,



wooltops, fruits and other supplies from Australia remained on the weekly average of about 1,000 tons. Exports averaged about 500 tons per week; HK manufactures constituted about 50 per cent of the tonnage.

**HK/New Zealand Trade**—According to the Prime Minister of New Zealand, Mr. Walter Nash, restrictions introduced recently by his government against HK exports were caused by the shortage of overseas funds. However, he assured that New Zealand was not contemplating further restrictions at present.

**HK/Africa Trade**—East Africa shipped here 1,200 tons of groundnut kernels, cotton, tobacco, seafood and other supplies. In return, HK sent there 1,000 tons of metals, recreackers, rayon products, cotton goods and other HK products. Imports from South Africa dropped to about 500 tons; principal items were groundnut oil, fruits, elevator parts, beans, tanning extract, hide and canned beef. Exports to South Africa also declined to 800 tons and consisted chiefly of HK manufactured cotton and metal goods. Demand from West Africa improved; exports totalling 1,600 tons consisted chiefly of enamelware, cotton textiles, plastics, rosin, shirts, leather shoes, torch, umbrella, and children's wear. Morocco introduced import quotas on a list of "less essential" goods. These quota restrictions may adversely affect HK's exports of footwear, hurricane lantern, clothing, hosiery and other consumer goods to that market.

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**Produce**—Demand from Japan, Europe and other sources for a selective number of items improved. Trading volume was still small because supply from China remained restricted. Woodoil was favoured by Australia and New Zealand in addition to demand from Japan; transactions were concluded mostly in small forwards. Rosin retained steady demand from Thailand, Africa and Indonesia; supply was still not sufficient. Garlic attracted orders from Singapore, Kuala Lumpur, Phnompenh, Djakarta, Bangkok and Colombo but trading volume was limited by low supply. Demand from Manila was centred on black and red beans; quantities involved also small. Chinese soya bean arrived from Europe to meet the demand from Australia and Japan; cost was lower than that of direct supply from North China. Other popular items were maize, sesame, gailnut, aniseed star, aniseed oil, cassia oil, spearmint oil, citronella oil, groundnut oil, bean oil, coir fibre, hog casing, feathers, bamboo cane, walnut meat, menthol crystal, camphor products and realgar.

**Metals**—CIF quotations from Europe were slightly lower on account of the reduced freight charges. The drop however was insignificant because cost price remained firm. On the other hand, freight charges for black-plate from US to HK might be in-

creased. In the local market, prices remained firm. Round bars continued steady in spite of the arrival of cheap goods from China; local and export demand was very strong. Dealers were also booked some round bars from Taiwan but the quantity involved was insignificant. Demand from China covered iron pipe, steel plate, tin plate and black plate waste waste; purchases however were restricted by firm prices here. Demand from Thailand, Vietnam, Laos, Cambodia, Korea and Taiwan for structural steels and factory items remained steady but orders were still limited to small quantities. Japan bought only moderate quantities of scrap metals from here.

**Paper**—Dealers booked some replenishments from Japan, China and Europe to meet the demand from SE Asia, Korea and Taiwan. Japanese and European indents, however, were still too expensive while supply from China was limited. Consequently prices here remained firm which in turn restricted the volume of trade. Korea's interest was centred on wood-free printing, sulphite, tissue, cellophane, aluminum foil and cigarette paper but short stock of European products limited the business volume. Popular items which retained steady demand from other sources included newsprint in ream, art printing, wood-free, poster, kraft, sulphite, manifold, cellophane, aluminum foil and cigarette in ream. Local consumption of various printing, packing and writing paper remained steady.

**Industrial Chemicals**—The market was kept steady mainly by demand from Taiwan, Cambodia and Thailand. Popular items included citric acid, ammonium bicarbonate, caustic soda, calcium hypochlorate, petrolatum, lithopone, shellac, formalin, gum arabic, tanning extract and paraffin wax. There were also inquiries from Korea for sulphuric acid and from Indonesia for bleaching powder and chlorate of potash but orders fell through because buyers considered prices here too high.

**Pharmaceuticals**—The abnormal weather here brought more customers to local dispensaries particularly during the first week for cough drops, penicillin tablets, APC tablets and other medicines. Fine chemicals which enjoyed unexpected good demand from local pharmaceutical manufacturers included aspirin, sulfonamides and phenacetin. Popular items which attracted orders from Cambodia, Singapore, Thailand, Korea, Philippines and Taiwan included penicillin tablets, dihydrostreptomycin, aspirin, phenacetin, saccharine crystal, amidopyrin and santonin crystal; turnover however was insignificant.

**Cotton Yarn**—The spot market was very quiet. HK yarn remained firm on short stock. Pakistan yarn first firmed on advanced indents but later dipped slightly in sympathy with lower cif offers from Karachi; buyers still considered prices too high. Indian

yarn turned sluggish particularly those counts which registered lower indents. Japanese and Korean products were steady on low stock although demand remained weak.

**Cotton Piecegoods**—The spot market was also quiet. HK grey sheeting was kept firm by orders from UK, Africa, West Germany and other markets. HK drill was weak in the first week under the pressure of cheap Chinese products but towards last week-end HK products turned steady on better local demand. Japanese grey dipped under selling pressure and lower cost. Japanese white shirting was kept steady by local demand. Chinese grey sheeting was also weak. About 200,000 pieces of Japanese and Chinese grey sheeting are now available in the market.

**Rice**—Prices firmed on the local market on account of higher Bangkok indents and unexpected heavy purchases by local retailers. Towards the end of last week-end prices here came down again in sympathy with lower Bangkok quotations and under heavy arrivals from Thailand and Cambodia.

**Wheat Flour**—In spite of steady demand from Korea, Malaya, Singapore and strong local consumption, Hongkong products were marked fractionally lower under keen competition from imported brands, particularly from Japanese flour. American, Canadian and Australian flour remained sluggish.

**Cement**—Local construction companies are rushing building work before the arrival of the rainy season. Consequently demand for cement is very strong at present. Last fortnight, more supplies arrived from Japan but prices here remained firm in spite of keen competition from Chinese products and Taiwan brands. HK Green Island products were also firm.

**Sugar**—The market was very sluggish. Prices dipped under heavy arrival from Taiwan and marked-down indents. Hongkong products were also forced down fractionally but towards the end of last week prices were steady although Taiwan granulated continued to drop. Brown sugar of Indonesian and African origins remained weak. In view of the weak international market and expected arrivals from Taiwan, prices here will probably remain at a low level in the next few weeks.

## HONGKONG COMPANY INCORPORATIONS

Following new limited liability companies were incorporated during the fortnight ended February 8, 1958; all capital is nominal and in HK dollars:—

**Chung Wah Button Factory**—Capital, 600,000; 119-125 Tung Chow Street, Kowloon; Subscribers: Heung Ping Kwong, 119-125 Tung Chow Street, Kowloon, merchant; Heung Chuen, same address, merchant; Chan Him Yee, same address, merchant.  
**Luang Kiu Co.**—Exporters & import-



ers; Capital, 500,000; 95 Des Voeux Road West, Hongkong; Subscribers: Yu Yong Ming, 3 Sui Wah Terrace, Hongkong, merchant; So Yook Sing, 43 Bonham Strand West, Hongkong, merchant. **Wah Fung Trading Co.**—Exporters & importers; Capital, 1,000,000; Subscribers: Chang Wen Seng, 503 Yu To Sang Building, Hongkong, merchant; S. H. Tsang, 404 Hongkong Bank Building, Hongkong, clerk. **Tung Fat Co.**—Provision merchants; Capital, 300,000; Subscribers: Lim Poo Fat, 43 Des Voeux Road West, Hongkong, merchant; Hui Hung Chan, 42 Des Voeux Road West, Hongkong, merchant. **B. V. Sabunani & Sons (Hongkong)**—Importers & exporters; Capital, 1,000,000; 28 Hollywood Road, Hongkong; Subscribers: Balram Valiram Sabunani, 73 Pokfulam Road, Hongkong, merchant; Sham. Chuharmal Khatiani, same address, merchant. **Victory Land Investment Co.**—Capital, 2,000,000; 403 Holland House, Hongkong; Subscribers: Cheung Luen, 69 Jervois Street, Hongkong, company director; William Cheung, 9 Wing Kut Street, Hongkong, company director;

Yip Tai Ning, 73 Blue Pool Road, Hongkong, merchant; Yung Kwok Yue, 26 Leighton Road, Hongkong, solicitor. **Sun Nam Yang Construction & Investment Co.**—Capital, 8,400,000; 403 Holland House, Hongkong; Subscribers: Wong Chung On, 37A Tin Hau Temple Road, Hongkong, merchant; Chan Tak Tai, 45 Queen's Road Central, Hongkong, merchant; Lau Chung Him, 83 Robinson Road, Hongkong, accountant; Hong Tung Tick, 24 Kimberley Road, Kowloon, merchant; Lam Tat, 30 Kimberley Road, Kowloon, merchant. **The Hong Kong Tientsin Lu Chiew Co.**—Brewers & distillers; Capital, 100,000; 73 Wing Lok Street East, Hongkong; Subscribers: Au Yong Kang, 5 Shan Kwong Road, Hongkong, merchant; Chiu Yiu Wah, 87 Hennessy Road, Hongkong, merchant; Chiu Yiu Nam, 87 Hennessy Road, Hongkong, merchant. **Tsing Tai Land Investment Co.**—Capital, 100,000; 410 Yu To Sang Building, Hongkong; Subscribers: Chong Wong Kup, Jardine's Bazaar, Hongkong, merchant; Lam Kwok Ying, 410 Yu To Sang Building, Hongkong, merchant. **Cheung & Tang**—Importers

& exporters; Capital, 200,000; 25 Des Voeux Road Central, Hongkong; Subscribers: Peter Cheung, 565 Stanley, Hongkong, merchant; Tang Sik Che, 11 Chung Shan Terrace, Kowloon, merchant. **King Merritt & Co.**—Importers & exporters; Capital, 10,000; 31 Printing House, Hongkong; Subscribers: Clar Sager, 26C The Peak, Hongkong, investment consultant; Clive E. Histed, 1 Des Voeux Road Central, Hongkong solicitor. **United Overseas Enterprises**—Importers & exporters; Capital, 2,000,000; Subscribers: Wong Po Yan 349 King's Road, Hongkong, merchant; Chen Biq Shu, 54 Java Street, Hongkong, merchant. **Precious Gem Restaurant**—Capital, 400,000; 77 Tai Po Road, Kowloon; Subscribers: Kwan Kam Chuen, 77A Waterloo Road, Kowloon, merchant; Kwan Hon Fan, 124D Waterloo Road, Kowloon, merchant. **Sun Sun Film Enterprises**—Capital, 1,000,000; 607 Pedder Building, Hongkong; Subscribers: Yuen Yang An, 11B Campridge Road, Kowloon, merchant; Pan Chiang Woo, 12 Henderson Road, Hongkong, merchant.

## DEVELOPMENTS IN SINGAPORE

(Continued from Page 375)

Gas Works. The PAP have also found that the perennial problems of hawkers and the building of unauthorised attic houses are as intractable for them as they have been for their predecessors. The Mayor himself has said that the hawker problem is insoluble without merger with the Federation because it is a problem of hidden unemployment. During a debate a Workers' Party representative accused the Mayor of being dictatorial. The hammer of the Workers' Party symbol found an unexpected first target.

Apart from City matters, the discussion of the implications of the P.A.P. success continues. The P.A.P. have found no allies. They had expected a working agreement with the UMNO Party; but the defiance of Che Abdul Hamid as Minister for Local Government over the inaugural meeting of the Council, and the view of the Federation Government towards the P.A.P., have led to a separation. UMNO have announced that they have no pact with the PAP though a later statement said they would support PAP in its measures to assist the Malays. Meanwhile, this new stand led to resignation of 70 UMNO members who were sympathisers with the PAP policy. The UMNO publicity Officer commented that they did not want PAP members in UMNO. This split prevented the appointment of a Malay Deputy Mayor for which the PAP had hoped to symbolise their wish to work with the Malays, and to meet the allegation that they are predominantly a Chinese party and the effect of that allegation in the Federation. The PAP therefore have no alliance in the City Council and with their 13 seats, remain a minority party, though the largest single party.

The success of a Party, leading members of which have twice been arrested by Government under the Preservation of Public Security Ordinance, inevitably created concern, particularly when there seemed no effective group to provide an alternative. The first reaction was therefore one of despondency and the visit of the U.K. Prime Minister provoked speculation on whether the elections to inaugurate the new constitution would after all be held this

year, and on the British reaction at a time when the Singapore Naval Base appeared to be of growing rather than declining importance under the new Defence dispositions. There is talk both of alliance between the Labour Front and the Liberal Socialists, and of an alternative alliance with the moderate elements of the P.A.P. The proposal of compulsory voting is being canvassed in order to ensure that the election produce a representative opinion in which the views of those who continue either ignorant of, or apathetic towards, the new political form of public life have had their full impact. The Chief Minister, Mr. Lim Yew Hock, speaking to an international group of journalists who arrived on the first QANTAS Round-the-World flight, said the PAP should be given a chance to prove themselves. He expressed the same view in his comments on critical reactions in the U.K. Press. He did not share their fears for "the people of Singapore do not and will not support a Communist regime". The people of Asia naturally turned to the Left and to the new. There had been critics of the Rendel constitution who said it had gone too far, but Singapore had learned from it, and applied their lessons. This, he held, would apply under the new constitution. This state of self-analysis and self-doubt may appear to be confusion when seen from outside, but it is also proof of the lesson of self-government learnt the hard way that a people must face and overcome its own dilemmas. And in politics, the proverb that "Well begun is half done" may be adapted to read, "A problem faced is half solved".